YEAR 2016

YEAR 2016

2 **CEO's Review**
4 **Responsibility**
6 **Corporate Governance**
12 Board of Directors
14 Group Executive Committee
17 Aspo Subsidiaries' Board of Directors

FINANCIAL STATEMENTS 2016

20 **Annual Report**

Consolidated Financial Statements, IFRS
30 Consolidated Statement of Comprehensive Income
31 Consolidated Balance Sheet
32 Consolidated Cash Flow Statement
33 Consolidated Statement of Changes in Equity
34 Notes to the Consolidated Financial Statements
69 Key Figures
70 Calculation Principles of Key Figures

Parent Company's Financial Statements, FAS
71 Parent Company's Income Statement
72 Parent Company's Balance Sheet
73 Parent Company's Cash Flow Statement
74 Notes to the Parent Company's Financial Statements

80 **Shares and Shareholders**
82 **Dividend Proposal of the Board**
83 **Auditor's Report**
86 **Information for Investors**

ASPO

Operating profit with the current structure	Average return on equity of over	Gearing of up to
7%	20%	100%

COURSE LAID IN TOWARDS 2020

The year 2016 was the beginning of a new four-year period for Aspo. We specified the time period for reaching our long-term financial targets by setting the deadline to 2020. With our current structure, we are looking for an operating profit rate of 7 percent, ROE of over 20 percent on average and gearing of up to 100 percent. We have firmly locked our sights on a moving target.

These are ambitious targets, but we have a straightforward plan to reach them. During the year, we prepared and launched activities that enable us to reach these targets. According to its strategy, Aspo will be even more determined to develop its businesses in order to produce the best possible shareholder value. One of the cornerstones in our development and one of Aspo's absolute strengths is that we have been able to determinedly set up strong and expert Boards of Directors in our subsidiaries to support their acting management. The dynamic development of businesses, and their divestment, if required, demands this type of thorough expertise.

The development of the profitability and capacity of our shipping business is a key success factor on our way towards 2020. Regardless of last year's record-low international dry cargo prices, ESL Shipping's operating profit remained high. The LNG-fueled energy-efficient dry bulk cargo vessels to be launched in 2018 will improve the shipping company's profitability. We are looking for growth from the additional capacity offered by these new vessels, a larger customer base and the opportunities presented by new business areas.

Telko's strong overall growth was a particular success story last year. Telko was able to produce the highest net sales in its history and, in addition to organic growth, continued to expand geographically by establishing a subsidiary in Azerbaijan. Telko strengthened the growth in Finland by expanding its operations to the Castrol automotive motor oil business according to the representation agreement.

Leipurin was able to increase its raw material business and improve its profitability in Russia. The order book of the machinery business reached a new record high. However, Leipurin is the one of Aspo's businesses, which is still farthest from its profit-making potential. Other positive events last year were the specialization of Kauko in mobile knowledge work and the decrease in the Group's general administrative costs to the target level.

We can already see signs of stabilization in the Russian economy and a turn for the better. The general market atmosphere is brighter, compared with the year before. The strengthening of the Russian ruble, together with the improved purchasing power, is the most significant factor for Aspo. We had the courage to invest in the future in eastern markets, even during more difficult times: recruitment, personnel training and regional expansion. As a result, our market position is stronger and our customers have more confidence in our operations. Currently, we serve more than 2,500 Russian corporate customers as an integral part of their value chains. This is a position not easily shaken.

In conclusion, the increase in Aspo's net sales and the realized operating profit can be regarded as good achievements in a difficult market situation. As a result of these positive results and expected growth, we were able to give a guidance of a much higher operating profit level than in previous years. The year 2016 can be regarded as a basic training period, when preparing for future goals.

Helsinki, February 15, 2017
Aki Ojanen, CEO of Aspo Group

During the year, Aspo was able to produce good results despite the challenging market situation. The company also laid a solid base to reach its financial targets.

SUSTAINABILITY SECURES FUTURE SUCCESS

At Aspo, sustainability can be seen at a global, social and individual level. An example of Aspo's global sustainability is the investment made by ESL Shipping in the world's first LNG-fueled handy-size dry bulk cargo vessels that produce more than 50% lower carbon dioxide emissions per transported ton than its current vessels. Above all, social sustainability means sustainable leadership: only a growing company can create jobs, tax income and wellbeing. Individual sustainability can be seen in how Aspo treats its employees justly and equally in all of its operating countries.

In 2016, Aspo ordered a comprehensive sustainability analysis for its operating environment from Ethica Oy, a development and training company specializing in the circular economy and sustainable business. The purpose was to analyze sustainability drivers and trends that have an impact on the company's businesses and, in this respect, draw a picture of the strengths and development areas of Aspo's subsidiaries.

The analysis helps Aspo to respond even better to sustainability requirements set in national and international regulations and by its principals and customers. Aspo wants to be a pioneer which bears its corporate responsibility beyond the minimum requirements of laws and regulations. This analysis also supports the wider sustainability reporting obligation of companies which entered into force at the beginning of 2017.

According to the analysis, key factors in Telko's operating environment include a growing interest in bioproducts, the circular economy and the transition from product-based operations towards a service business. Changes in the operations of Leipurin are driven by the health trend

and requirements to improve energy efficiency, product safety, recycling and waste management. For ESL Shipping, the management of environmental and safety-related issues is emphasized.

COMMITTED SUBSIDIARIES

Tight quality criteria guide Telko's functions. The company has been granted the ISO 9001 certificate, and it also follows the trade version of the Responsible Care program of the chemical industry. Accordingly, Telko is committed to continuously and voluntarily developing issues related to the environment, safety and health. This commitment has been verified in an external SQAS/ESAD audit. Telko has also signed the Ethical and Business Principles of the European Association of Chemical Distributors FECC.

ESL Shipping's operations and all of its vessels are certified in accordance with the requirements of the International Maritime Organization's International Safety Management code. In addition, the shipping company has the ISO 14001 environmental certificate. Ships are the most ecological options to transport large cargos, and ESL Shipping has, for example, been determined to improve its fuel economy.

Leipurin focuses specifically on the high level of quality and safety of all of its products. It requires its partners and suppliers to follow environmental and operational systems that fulfill tight quality criteria. In Finland, the Leipurin operating model has been granted the ISO 9001:2000 certificate.

Kauko offers solutions for mobile knowledge work and energy-saving products, such as solar energy systems, which signifies that environmental issues are highly important to the company's principals. Commitment to sustainable development is evident in all operations, all the way from product design and manufacture to recycling.

COMMON CODE OF CONDUCT

Aspo acts like a good corporate citizen in all of its operating countries. This means, for example, that Aspo always pays its taxes in the country in which it has made its profit. Aspo does not have any companies located outside its geographical operating area. The transparent operating model serves both investors and other stakeholders.

Aspo's Code of Conduct describes the rules that the personnel of Aspo Group are expected to follow in their work. The Code of Conduct covering all of Aspo's operating countries discusses the legality of operations, business relationships, personnel, safety, and the company's assets and property. In 2016, the Code of Conduct was revised, for example, in terms of anti-corruption provisions and competition legislation.

RESPONSIBILITY FOR THE PERSONNEL

The advancement of sustainable operations throughout the Group requires good leadership. Aspo does everything in its power to create a supportive working environment and promote professional development. The satisfaction of the personnel with their own tasks, the quality of management, and Aspo as an employer were also measured in 2016 by conducting an atmosphere survey. Annually-repeated questions offer comparable information to supervisors who discuss the results of the survey within their teams to identify areas to be developed.

To encourage the personnel, Aspo has also set up a personnel fund, with every employee of Finnish companies within Aspo Group being its members. Employees may invest their bonuses in the personnel fund or withdraw them in cash. The goal of the funding is that the personnel will become a significant shareholder group in the company.

PRACTICAL ENVIRONMENTAL ACTS

One of last year's small but concrete environmental acts was reflected in the results of Aspo's personnel car policy. According to the policy revised in 2015, employees will be entitled to a discount for their car deduction, if they select an option, the emissions of which fall below the average value of all cars offered by the company. The aim is that this arrangement will reduce average emissions. Aspo succeeded in this as emissions fell from 137 g/km in 2015 to 129 g/km in 2016. This development is expected to continue.

Aspo's environmental sustainability is also advanced by Aspo Group's head office, which is located in an office building that has been granted a platinum LEED environmental certificate. The energy-efficient building consumes 30–50% less energy than a regular building.

Aspo aims to follow the principle of continuous improvement in terms of financial, social and environmental sustainability. Sustainability guides decision-making processes at all levels of the company.

CORPORATE GOVERNANCE

Aspo Plc's task is to own, lead and develop the operations of its subsidiaries and its structure, as well as to take care of issues related to financing and strategic planning.

Aspo's decision-making and administration comply with the Finnish Companies Act, securities market legislation, other regulations concerning public companies, Aspo Plc's Articles of Association, and the rules and regulations of Nasdaq Helsinki Ltd. Aspo follows the Finnish Corporate Governance Code that came into force on January 1, 2016. The code is available on the Securities Market Association's website www.cgfinland.fi.

GROUP STRUCTURE

The Aspo Group's parent company, Aspo Plc, is a Finnish public company domiciled in Helsinki. The main responsibility for Aspo Group's administration and operations lies with Aspo Plc's governing bodies, which are the Shareholders' Meeting, the Board of Directors and the CEO. The highest decision-making power is exercised by the shareholders at the Shareholders' Meeting.

Aspo Plc's task is to own, lead and develop the operations of its subsidiaries and other Group companies, centrally administer the Group companies, take care of issues related to financing and strategic planning, and plan and implement financially expedient investments.

The Group's operational business is carried out in the Group companies, ESL Shipping Ltd, Leipurin Plc, Telko Ltd and Kauko Ltd, and in their subsidiaries in Finland and abroad.

SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting is arranged every year on a date set by the Board of Directors and it deals with the issues that are the Annual Shareholders' Meeting's responsibility as outlined in the Articles of Association, the proposals of the Shareholders' Nomination Board and the Board of Directors and possible other proposals to the Shareholders' Meeting. The Annual Shareholders' Meeting, for instance, approves the financial statements, elects the Board members and the auditor, and decides on profit distribution and the remuneration of the Board members and the auditor.

Shareholders are, according to the Companies Act, entitled to bring issues falling within the domain of the Shareholders' Meeting to be dealt with at the Shareholders' Meeting if they demand this in writing from the Board of Directors well in advance so that the issue can be included in the notice of the meeting.

The Board of Aspo Plc convenes the Shareholders' Meetings. The notice of the meeting is published in a stock exchange release and in newspapers determined by the Board at the earliest two months before and at the latest 21 days before the meeting. In addition, the notice of the meeting and the following information are published on the company's website 21 days before the Shareholders' Meeting at the latest:

- total number of shares and votes by share class on the date of the notice of the meeting
- documents to be presented to the Shareholders' Meeting
- decision proposal of the Board of Directors or some other competent body
- any issue that is included in the agenda of the Shareholders' Meeting but for which no decision is proposed

The decisions of the Shareholders' Meeting are published after the meeting in a stock exchange release. The minutes of the Shareholders' Meeting with the voting results and appendices related to the decisions are published on the company's website within two weeks of the Shareholders' Meeting.

SHAREHOLDERS' NOMINATION BOARD

The 2016 Annual Shareholders' Meeting decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual Shareholders' Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the Board committees. The Nomination Board comprises representatives of the four largest shareholders of the company and, in addition, the Chairman of the company's Board as an expert member.

The following representatives of the largest shareholders were members of the Nomination Board which prepared proposals for the Annual Shareholders' Meeting 2017: Tatu Vehmas, Chairman (Vehmas family); Veronica Timgren (Nyberg family, including Oy Havsudden Ab); Reima Rytsölä (Varma Mutual Pension Insurance Company); and Mikko Mursula (Ilmarinen Mutual Pension Insurance Company). In addition, Gustav Nyberg, Chairman of Aspo Board of Directors, has acted as an expert member of the Nomination Board.

BOARD OF DIRECTORS

According to the Articles of Association, Aspo Plc's Board of Directors comprises no fewer than five and no more than eight members. The number of members of the Board is determined at the Shareholders' Meeting, where its members are also elected. The members of the Board of Directors elect a chairman and a vice chairman from amongst themselves. In the 2016 Annual Shareholders' Meeting, six Board members were elected. The term of the members ends at the conclusion of the Annual Shareholders' Meeting following the election.

The Board constitutes a quorum when more than half of the members, including either the chairman or vice chairman, are present. The duties and responsibilities of the Board of Directors are set out in the Articles of Association, the Finnish Companies Act and other applicable legislation. Aspo Plc's Board of Directors has confirmed written standing orders which state that the matters to be dealt with by the Board include, but are not limited to:

- Aspo Group's strategic guidelines and divisional strategies
- Group structure
- matters to be presented to Shareholders' Meetings
- interim reports and consolidated financial statements
- Group business plans, budgets and investments
- expanding and scaling back operations, acquisitions/divestments of companies or operations
- Group risk management, insurance and treasury policies
- Group environmental policy
- management remuneration and incentive plans
- appointment of the CEO
- monitoring the financial and financing situation of Aspo Group

The Board carries out an annual self-evaluation of its operations and working methods. In 2016, the Board of Directors arranged 11 meetings, of which four were teleconferences. The average participation rate was 99.

Board committees

The Board has established an Audit Committee with the objective of preparing issues related to the company's financial reporting and control. The Audit Committee does not have independent decision-making authority, but the Board makes the decisions on the basis of preparations by the committee. The Audit Committee consists of the chairperson and at least two members, whom the Board appoints from among the Board members for one year at a time. In 2016, Roberto Lencioni acted as the chairman of the Audit Committee and Mammu Kaario as a committee member. Mikael Laine and Salla Pöyry acted as committee members as of April 7, 2016 and Kristina Pentti-von Walzel until April 7, 2016.

The tasks of the Audit Committee are:

- monitoring the financial statements reporting process
- control of the financial reporting process
- monitoring the effectiveness of internal control, internal audit and risk management systems
- review of internal audit's plans and reports
- review of the description of the main principles related to the internal control and risk management systems over financial reporting process included in the company's Corporate Governance Statement
- monitoring the statutory audit of the financial statements and consolidated financial statements
- assessing the independence of the audit firm
- assessing the auxiliary services offered by the audit firm
- preparing the decision on the election of the auditor

The Audit Committee will convene regularly at least twice a year. In 2016, the audit committee had four meetings. The average participation rate was 100. Aspo has no other committees besides the Audit Committee.

Remuneration for Board members

The Annual Shareholders' Meeting decides on the remuneration and cost compensation principles for the Board members every year. The 2016 Annual Shareholders' Meeting confirmed the Chairman of the Board's monthly remuneration to be EUR 15,500. It was resolved that the Vice Chairman be paid a monthly remuneration of EUR 3,600 and the other members of the Board of Directors EUR 2,400 per month. It was also resolved that EUR 700 per meeting be paid to the members of the Audit Committee. Board members having a full-time position in an Aspo Group company are not paid a fee. Travel is compensated for in accordance with Aspo's travel policy.

In 2016, the Aspo Plc Board members received a total of EUR 350,665 in fees (including voluntary pension payments of the Board Chairman).

The majority of Aspo's Board members are independent of the company and its major shareholders.

Chairman of the Board

Gustav Nyberg, B.Sc. (Econ.), eMBA (60) has acted as the full-time Chairman of the Aspo Plc Board. He is, in addition to his Chairman duties, also responsible for the progress of the strategy process and participates in IR activities.

Aspo Plc's Board of Directors elects a chairman from among the Board members, appoints the full-time Chairman of the Board, and agrees upon the terms of employment defined in a written executive contract. The full-time chairman does not receive the board member's remuneration decided by the Annual Shareholders' Meeting while the executive contract is in force. The total compensation paid to the full-time chairman under the executive contract shall not exceed the compensation for the Chairman of the Board established by the decision of the Annual Shareholders' Meeting.

Gustav Nyberg, Chairman of the Board of Directors, has stated to the Nomination Board that he will no longer be available as the full-time Chairman of the Board of Directors following the Annual Shareholders' Meeting 2017.

Diversity on the Board of Directors

Aspo regards diversity on the Board of Directors as a significant part of sustainable operations, and a success factor that allows the company to reach its strategic goals. Diversity must be part of a functional Board of Directors which is able to work together and respond to the requirements set by the company's businesses and strategic goals, and to challenge the company's acting management in a proactive and constructive manner.

The Shareholders' Nomination Board prepares and presents the proposal for the composition of the Board of Directors to the Annual Shareholders' Meeting. When planning the composition of the Board of Directors, the Aspo Shareholders' Nomination Board takes account of the needs and development phases of the company's businesses, as well as the competence areas required by different board committees. When selecting board members, the objective is to ensure that the Board of Directors as a whole supports the development of Aspo's current and future business operations.

The chairman of the Board of Directors proposes the competence and know-how required from board members to the Nomination Board so that each member can be assumed to have the required expertise and experience. The objective of the preparatory work of the Nomination Board is to ensure that the Board of Directors forms a functional whole.

Diversity on the Board of Directors is examined from different points of view. For the composition of Aspo's Board of Directors, key factors are competence, with each board member supplementing one another, education and experience in different business fields, management and operations in different development phases, as well as the personal characteristics of each member. In addition, diversity on the Board of Directors is supported by experience in an international operating environment and consideration of the age and gender distribution. The objective is that both genders are represented by at least two members. Aspo fulfills this objective.

Members of Aspo's Board of Directors must have the competence required for the position and the ability to allocate sufficient time to their tasks. When forming the Board of Directors, long-term needs and replacement planning are also taken into account.

The composition of the Board of Directors and the number of members must enable the Board of Directors to work effectively. Principles for diversity on the Board of Directors are presented as part of the company's Corporate Governance Statement.

Aspo owns and develops businesses belonging to the Group. The Boards of Directors of each subsidiary prepare and decide on the strategies of each business. The subsidiaries are independent of one another, and they have separate objectives, customer needs, capital structures and business cycles. Therefore, they need independent Boards of Directors that produce genuine added value for the development of the companies. Aspo's CEO acts as the chairman of the Boards of Directors of all subsidiaries. The aim is to find active top experts in their fields who are still actively engaged in business life for the Boards of Directors of the subsidiaries. Another aim is to follow the same level of diversity on the Boards of Directors of the subsidiaries as on the Aspo Board of Directors. Through their work, the Boards of Directors of the subsidiaries support diversity on the Board of Directors of Aspo.

CHIEF EXECUTIVE OFFICER

The Board of Directors appoints Aspo Plc's CEO. The CEO of Aspo is Aki Ojanen, eMBA (56). The CEO leads and develops the Group's business and is responsible for the operative management in accordance with the instructions of the Board of Directors. The CEO presents matters and reports to the Board of Directors. The CEO is responsible for the company accounting complying with applicable legislation and for the reliable arrangement of the company finances. He also serves as the Chairman of the subsidiary Boards and acts as the operational supervisor of the Managing Directors of the subsidiaries and Group administration. He is also responsible for internal audit and for Group risk management, which are coordinated by the CFO.

The terms of the CEO's employment relationship have been agreed in writing in the CEO agreement. The period of notice applied to the CEO is six months. If notice is given by the company, severance pay corresponding to 18 months' salary will be paid in addition to the salary for the notice period. In 2016 the CEO was paid EUR 930,596 in salary, bonuses and fringe benefits. The share of bonuses for 2015 was EUR 205,744, the share of share-based payments was EUR 249,752 and the share of voluntary pension insurance payments was EUR 102,835.

GROUP EXECUTIVE COMMITTEE

The CEO is assisted by the Group Executive Committee, which is responsible for developing the strategic structure of Aspo Group and its earnings, as well as prepares the Group policies and common practices. The Group Executive Committee convenes at least six times a year.

In addition to the CEO, the Group Executive Committee in 2016 consisted of CFO Arto Meitsalo, Group Treasurer Harri Seppälä as well as Matti-Mikael Koskinen, Managing Director of ESL Shipping, Mikko Laavainen, Managing Director of Leipurin (Paul Taimitarha until February 29, 2016), Kalle Kettunen, Managing Director of Telko and Sami Koskela, Managing Director of Kauko. In 2016, the Group Executive Committee received a total of EUR 3,013,874 in salaries, bonuses and fringe benefits. The share of bonuses for 2015 was EUR 428,171, the share of share-based payments was EUR 874,132 and the share of voluntary pension insurance payments was EUR 193,368.

REMUNERATION

Aspo Group has a result-based incentive plan, which was introduced in 2013. The Group has a personnel fund and all persons working at Aspo Group's Finnish companies are members of the fund. Aspo's business units pay part of their earnings as bonuses to the personnel. Employees may invest the bonus in the personnel fund or withdraw it in cash. The long-term goal of the funding system is that the personnel will become a significant shareholder group in the company.

Aspo Plc's management remuneration consists of the person's fixed monthly salary, a short-term bonus depending on the profit impact of the respective position, long-term management pension benfits and share-based payment plan.

Aspo Plc's Board of Directors makes decisions on the salaries, other financial benefits, and the basis of the bonus plan and the share-based payment plan for Aspo's CEO and the Group Executive Committee members.

Bonus plan based on the company result (short-term incentive program)
Aspo has a result-based incentive plan for the management. The maximum bonus may differ up to a sum equivalent to three to eight months of the employee's salary. The maximum bonus of the CEO is a sum equivalent to eight months' salary. The criteria used in the bonus plan include annual requirements and the development preconditions of the area for which the person has responsibility. The fulfilling of the bonus plan criteria is monitored annually. The criteria and payments paid according to the criteria are approved by Aspo Plc's Board of Directors. Bonuses recognized annually are paid after the completion of the annual financial statements.

Share-based incentive plan 2015–2017 (long-term incentive program)
The Board of Directors of Aspo Plc approved a share-based incentive plan in 2015. The aim of the plan is to combine the objectives of the shareholders and those within the plan in order to increase the value of the company, to commit the persons to the company, and to offer them a competitive incentive plan based on a long-term holding of the company's shares.

The plan includes three earnings periods, the calendar years 2015, 2016 and 2017. The prerequisite for participation in the plan and for receipt of reward on the basis of earnings period 2016 was that a person acquired the company's shares, or held the company's shares, up to the number predetermined by the Board of Directors. Aspo's Board of Directors will decide on the plan's performance criteria and required performance levels for each criterion at the beginning of each earnings period.

Further information of remuneration and incentive plans on remuneration statement at www.aspo.com.

Supplementary pensions
The Chairman of the Board of Directors, the CEO and two members of the Group Executive Committee at Aspo Plc are eligible for a defined contribution pension insurance plan. The retirement age is the lowest possible retirement age less three years whereupon the payment of contribution ends. The receiving of a pension ends at the age of 75. The pension is determined in accordance with the accumulated insurance savings at the time of retirement. The start of receiving the pension can be postponed, at most, until the age of 70. In that case, the pension is determined on the basis of insurance savings adjusted in accordance with the value development of related investment objects.

If the person's employment to the company ends before the contractual retirement age, the person is entitled to a paid-up policy – a paid-up insurance that corresponds to insurance savings accumulated by the end of the person´s employment. The person is always entitled to a paid-up policy that corresponds to his or her own share of contribution.

In 2016, on the part of the Chairman of the Board the cost of the group pension insurance plan totaled EUR 98,928 and it is included in his total remuneration. On the part of the CEO the cost of the group pension insurance plan totaled EUR 102,835 or 11% of the annual employee benefit expense. The costs of the voluntary group pension insurance plans totaled EUR 292,296.

AUDIT
According to the Articles of Association, the Annual Shareholders' Meeting elects the auditor, which must be an audit firm approved by the Central Chamber of Commerce. The term of the auditor ends at the conclusion of the Annual Shareholders' Meeting following the election.

The auditor elected by the Shareholders' Meeting is responsible for instructing and coordinating the auditing work throughout the Group. The auditor provides the company's shareholders with the auditor's report in connection with the annual report, in accordance with legislation. The Board also receives other possible auditing reports.

The 2016 Annual Shareholders' Meeting elected Ernst & Young Oy as the auditor. APA Harri Pärssinen acted as the principal auditor. In 2016, companies belonging to the EY chain in Finland and abroad were paid a total of EUR 240,418 in compensation for performing audits for Aspo Group. In addition, other services were acquired for EUR 101,371.

INTERNAL CONTROL
Aspo's internal control includes the control that is built in to the business processes, the Group's management system and financial reporting covering the entire Group. Internal control is an integral part of the company's management, risk management and administration.

The aim of internal control is to create sufficient certainty of goals and objectives being reached in the following issues:

- operational profitability and efficiency, and capital management
- reliability and integrity of financial and operational information
- compliance with laws, regulations and agreements, as well as ethical principles and social responsibility
- safeguarding and responsible management of assets and brands

The responsibility to arrange the control lies with the Board of Directors and the CEO both at Group and business unit level. The Aspo Board is responsible to the shareholders and the CEO to the Board. The chain of responsibility continues throughout the organization so that each Aspo employee is responsible to his/her superior for control over his/her responsibility area. Group company controllers have control responsibility concerning compliance with legislation and Group instructions. As well as to the subsidiary management, they also report to the CFO. The CFO reports to the CEO and Board on possible findings. The internal audit function supports the Group management in their control task and the aim is to offer Aspo Board sufficient assurance that the control is working.

FINANCIAL REPORTING
The control of financial reporting is based on monitoring of business processes. The information for financial reporting is created as business processes progress, and the responsibility for correct information is shared by all participants in the process. The financial reporting process is decentralized and monitored by the Audit Committee.

The financial statements of the Group are compiled according to the IFRS standards; those of the parent company and Finnish subsidiaries according to the Finnish accounting standards. Each separate company complies with the legislation of the country where it is located, but reports based on Aspo's internal accounting instructions. Separate companies may have their own chart of accounts, but all information is consolidated on the basis of a common chart of accounts to the unit level, where their reliability is assessed before the information is transferred to the Group level. Aspo Group's financial information is verified and its quality assessed on monthly basis. At each phase the unit responsible for the quality and preparation of information will assess its reliability. The Group-level monitoring and reconciliation mechanisms are used on both monthly and quarterly bases.

The systems required for financial reporting are decentralized and used according to the principles of internal control. Achieving the set targets is monitored on a monthly basis with the Group's consolidation and reporting system. In addition to actual and comparative figures, the system provides up-to-date forecasts. The reports are provided to the Aspo Board of Directors monthly. The Board of Directors assesses the Group's position and future based on the provided information. The Board of Directors is responsible for the contents and publication of the financial statements.

In 2016, the Group's reporting system was updated which also improves the level of internal control.

Besides the Audit Committee, the reliability of reporting and processes are assessed by an independent, external audit firm.

INTERNAL AUDIT

The purpose of internal audit is to support assessment and assurance of the Group to verify the efficiency of risk management, control, management and administration. Internal audit assists the management and the organization in ensuring the achievement of the Group targets and ensuring the effectiveness and development of the control system.

The Board of Directors approves the principles of internal audit as part of internal control. The Group CFO is responsible for the coordination of internal audit, and reports the findings to the CEO, the Audit Committee and the Board of Directors. Internal audit and its organization have been evaluated during 2016. Internal audit is organized corresponding to the size of the Group. Additional resources and special skills will be purchased for demanding assessments if needed. The target is to perform two or three risk-based audits annually. The audits are based on risk assessment as defined in the risk analyses of individual business units. The objects of the audit assessment and assurance are profitability and efficiency of activities, reliability of financial and operational reporting, compliance issues and safeguarding of assets.

The Audit Committee monitors the operations and efficiency of the company's internal audit in its meetings. The committee also reviews the plans and reports of the internal audit.

RISK MANAGEMENT

The target of risk management is to ensure the implementation of Group strategy, development of financial results, shareholder value, dividend payment ability and business continuity. The operational management of the business units is responsible for risk management. They are also responsible for determining sufficient measures and their implementation, and for monitoring and ensuring that the measures are implemented as part of daily management of operations. Risk management is coordinated by the Group CFO, who reports to the CEO.

The Audit Committee monitors the efficiency of the risk management systems and deals with processes the plans and reports of the risk management.

Each business unit has a separate risk management program. Business risks and their management are dealt with in the business unit management teams. The functions common to the whole Group will ensure that sufficient risk assessment and reporting procedures are incorporated into the processes they are responsible for. In terms of certain risks, the risk management principles and main content have been defined in Group-level policies and guidelines. Group administration is responsible for Group-level insurance plans.

Risk management is essentially based on the aforementioned procedures of internal control, where the chain of responsibility extends throughout the Group. The most important factors in business risk management are a profound understanding of the business and command of the tools which are used for daily business operations and their management. Characteristic risks in each business area are identified in the business units, assessed in the business unit management teams, and reported to the subsidiary Boards and, if need be, also to the Aspo Board of Directors or the Audit Committee. Aspo's CEO acts as the Chairman of the Boards of the subsidiaries.

Risks are continuously assessed and their management is discussed in the business unit management teams. Risk assessments are updated according to Aspo's management policy and the most noteworthy findings are presented in the quarterly interim reports. Larger projects always include a separate risk analysis. The most significant risks for the Group are assessed once a year and the results are presented in the annual report.

Financial risks, their management principles and related organization are presented in the notes to the financial statements.

INSIDER MANAGEMENT

Aspo Group follows Nasdaq Helsinki Ltd's insider instructions. Aspo Plc's permanent insiders list include the members of the Board, the CEO, the CFO and other persons with regular access to all inside information. The persons discharging managerial responsibilities include the members of the Board and the Group Executive Committee. In addition, a project-specific insider register is kept on persons participating in the preparation of insider projects.

Permanent insiders and the persons discharging managerial responsibilities are not allowed to trade in securities issued by the company for 30 days before the publication of interim reports or financial statements releases. Project-specific insiders are not allowed to trade in securities issued by the company until the termination of the project.

The Group CFO is responsible for the control and monitoring of insider issues.

Aspo Plc's Corporate Governance Statement and a remuneration statement for 2016 have been published on Aspo's website www.aspo.com.

BOARD OF DIRECTORS

DECEMBER 31, 2016

GUSTAV NYBERG

Full-time Chairman of the Board since 2009
Member of the Board since 2008
B.Sc. (Econ.), eMBA, born 1956

Dependent on the company and its major shareholders

Key Work Experience

CEO, Aspo Plc 1999–2008
Management positions, Elfa International Ab 1985–1995
Management positions, Finnboard 1979–1984

Key Positions of Trust

Member of the Board: Foundation for Economic Education, Stiftelsen Svenska handelshögskolan, Oy Havsudden Ab
Member of the Negotiation body: The Finnish Lifeboat Institution
Member of the Consultative Committee: Meripuolustussäätiö

Holdings and Remuneration

Shareholdings in Aspo on December 31, 2016: 531,667 or 1.72% of the total number of shares, Oy Havsudden Ab: 3,142,941 shares or 10.15% of the total number of shares.
Aspo´s hybrid bond 2016: Oy Havsudden Ab EUR 1.9 million
No holdings or rights based on share-based incentive plans.
Remuneration in 2016: EUR 185,765 (including voluntary pension insurance)

MAMMU KAARIO

Member of the Board since 2012
Member of the Audit Committee since 2012
LL.M, MBA, born 1963
Managing Director, Partnera Oy, 2016–

Independent of the company and its major shareholders

Key Work Experience

Investment Manager, Korona Invest Oy 2011–2015
Partner, Unicus Oy 2005–2010
Member of the Board, Esperi Care Oy 2005–2010
Director, Conventum Corporate Finance Oy 1998–2004
Vice President, Prospectus Oy 1994–1998
Vice President, Kansallis-Osake-Pankki 1988–1994

Key Positions of Trust

Chairman of the Board: SstatzZ Oy
Member of the Board: Ponsse Plc, Suomen Hoivatilat Oyj

Holdings and Remuneration

Shareholdings in Aspo on December 31, 2016: 10,000 or 0.03% of the total number of shares.
Aspo´s hybrid bond 2016: EUR 0.1 million.
No holdings or rights based on share-based incentive plans.
Remuneration in 2016: EUR 30,900

MIKAEL LAINE

Member of the Board since April 7, 2016
Member of the Audit Committee since 2016
M.Sc. (Econ.), born 1964
SVP, Strategy, Cargotec Corporation, 2014–

Independent of the company and its major shareholders

Key Work Experience

President & CEO, Moventas Group 2012–2013
SVP, Business Development and Corporate Functions, Moventas Group 2008–2012
CEO, YAP Solutions Oy 2005–2008
CFO and other management positions Sonera Oyj, 1996–2005
CFO, Oy Mikrolog Ltd 1995–1996

Key Positions of Trust

Member of the Board: Cargotec Korea Ltd, Kehityssijoitus Laine Oy

Holdings and Remuneration

Shareholdings in Aspo on December 31, 2016: 5,000 or 0.02% of the total number of shares.
No holdings or rights based on share-based incentive plans.
Remuneration in 2016: EUR 22,400

ROBERTO LENCIONI
Member of the Board since 1999
Vice Chairman of the Board since 2015
Chairman of the Audit Committee since 2010, LL.M., born 1961
Managing Director, Oy Gard (Baltic) Ab, 2003–

Independent of the company and its major shareholders

Key Work Experience
Management positions, Oy Baltic Protection Ab 1990–2002
Managing Director, Oy Baltic Insurance Brokers Ab 1994–2001
Sales Manager, Aspocomp Oy 1988–1990
Group Lawyer, Aspo Group 1986–1987

Key Positions of Trust
Member of the Board: VR-Group Ltd

Holdings and Remuneration
Shareholdings in Aspo on December 31, 2016: 10,687 or 0.03% of the total number of shares.
Aspo´s hybrid bond 2016: EUR 0.3 million
No holdings or rights based on share-based incentive plans.
Remuneration in 2016: EUR 45,300

SALLA PÖYRY
Member of the Board since April 7, 2016
Member of the Audit Committee since 2016
D.Sc. (Econ.), CEFA, born 1984
Chairman of the Board (Managing Director), Procurator-Holding Oy 2015–

Independent of the company and its major shareholders

Key Work Experience
Doctorate student, Svenska handelshögskolan Hanken 2010–2014
Financial analyst, Vicus Capital Advisors 2008–2010
Financial analyst trainee, Stora Enso Corporate Accounting 2005

Key Positions of Trust
Member of the Board: Finnish Foundation for Technology Promotion, Jaakko Pöyry Holding Oy

Holdings and Remuneration
Shareholdings in Aspo on December 31, 2016: 1,000 or 0.003% of the total number of shares, Procurator-Holding Oy: 197,000 or 0.64% of the total number of shares.
No holdings or rights based on share-based incentive plans.
Remuneration in 2016: EUR 22,400

RISTO SALO
Member of the Board since 2008
M.Sc. (Tech.), born 1951
Chairman of the Board, Hollming Ltd, 2005–

Independent of the company and its major shareholders

Key Work Experience
President, Hollming Oy 1992–2005
Management positions, Finnyards Oy 1992
Management positions, Hollming Ltd 1977–1991

Key Positions of Trust
Member of the Consultative Committee: Varma Mutual Pension Insurance Company

Holdings and Remuneration
Shareholdings in Aspo on December 31, 2016: 165,160 or 0.53% of the total number of shares, Hollming Ltd 273,969 or 0.88% of the total number of shares, Ratius Ltd 572 or 0.002% of the total number of shares.
No holdings or rights based on share-based incentive plans.
Remuneration in 2016: EUR 28,800

Until April 7, 2016 the Board included:
Matti Arteva
Kristina Pentti-von Walzel

GROUP EXECUTIVE COMMITTEE

DECEMBER 31, 2016

AKI OJANEN
CEO, Aspo Plc, 2009–
eMBA, born 1961

Key Work Experience
COO, Aspo Plc 2007–2008
General Director, Itella Logistics Oy 2005–2007
CEO, Kuusakoski Oy 2003–2005
Management positions, Kuusakoski Oy 1999–2003
General Manager, Canon North-East Oy 1996–1998
Management positions, Canon Oy 1988–1996

Key Positions of Trust
Chairman of the Board: ESL Shipping Ltd, Leipurin Plc, Telko Ltd, Kauko Ltd
Vice Chairman of the Board: 3Step IT Group Oy
Member of the Board: East Office of Finnish Industries Ltd, Federation of Finnish Commerce, Finnish Coal info Hiilitieto ry, 4client Oy

Holdings
Shareholdings in Aspo on December 31, 2016: 54,701 or 0.18% of the total number of shares

KALLE KETTUNEN
Managing Director, Telko Ltd, 2009–
M.Sc. (Tech.), MBA, born 1964

Key Work Experience
Managing Director, Eka Chemicals Ltd 2003–2009
Marketing Director Europe, Eka Chemicals Ab 2007–2009
Managing Director, Eka Chemicals Suzhou (China) Ltd 2001–2002
Sales management positions, Eka Chemicals Ltd 1995–2000
Production Manager, Yhtyneet Paperitehtaat Oy 1990–1995

Key Positions of Trust
Deputy member of the Board: East Office of Finnish Industries Ltd

Holdings
Shareholdings in Aspo on December 31, 2016: 27,429 or 0.09% of the total number of shares

SAMI KOSKELA
Managing Director, Kauko Ltd, 2015–
M.Sc. (Tech.), born 1979

Key Work Experience
Director, Operative Product Management, Microsoft / Nokia Plc, China 2012–2014
Head of Operative Product Management, Nokia Plc, Taiwan 2011–2012
Lead Product Manager, Nokia Plc, USA 2010–2011
Senior Product Manager, Nokia Plc 2008–2010
Manager, Strategy Planning, Nokia Plc 2005–2007
Product Specialist, Nokia Plc 2003–2005

Holdings
Shareholdings in Aspo on December 31, 2016: 13,675 or 0.04% of the total number of shares

MATTI-MIKAEL KOSKINEN
Managing Director, ESL Shipping Ltd, 2013–
M.Sc. (Econ.), born 1972

Key Work Experience
Managing Director, Meriaura Ltd 2007–2013
Chartering Manager, Deputy Managing Director, Meriaura Ltd 2004–2006
Consultant, The World Bank 2004
Project researcher, Turku School of Economics and Business Administration 2003–2004

Key Positions of Trust
Vice Chairman of the Board: Finnish Shipowners´ Association
Member of the Board: Finnish Coal info Hiilitieto ry, Finnish Waterway Association

Holdings
Shareholdings in Aspo on December 31, 2016: 23,929 or 0.08% of the total number of shares

MIKKO LAAVAINEN
Managing Director, Leipurin Plc, 2016–
M.Sc. (Econ.), born 1973

Key Work Experience
Management positions, Raisio plc 2006–2015
Marketing Director, Danone Group 2002–2005
Brand Manager, Hackman Group, Iittala 2000–2002
Assistant Nordic Brand Manager, Unilever, Van den Bergh Foods Nordic 1998–1999

Holdings
Shareholdings in Aspo on December 31, 2016: 6,500 or 0.02% of the total number of shares

ARTO MEITSALO
CFO, Aspo Plc, 2009–
Managing Director, Aspo Services Ltd, 2013–
M.Sc. (Econ.), born 1963

Key Work Experience
President, Kauko-Telko Ltd 2008
CFO, Kauko-Telko Ltd 2007
Director, Kaukomarkkinat Ltd 2005–2007
Group Controller, Kaukomarkkinat Ltd 2002–2005
Financial Accountant, Bank of Finland 1993–2002
Financial Accountant, Kaukomarkkinat Ltd 1989–1993

Key Positions of Trust
Chairman of the Committee: The Association of Finnish Technical Traders, Finance Committee
Member of the Committee: Federation of Finnish Commerce, Trade Policy Committee
Member of the Board: Silmäsäätiö

Holdings
Shareholdings in Aspo on December 31, 2016: 46,947 or 0.15% of the total number of shares

HARRI SEPPÄLÄ
Group Treasurer, Aspo Plc, 2008–
eMBA, born 1964

Key Work Experience

Senior Vice President, Sampo Bank Plc 2006–2007
First Vice President, Sampo Bank Plc 1999–2006
Management positions, Postipankki 1989–1999

Holdings
Shareholdings in Aspo on December 31, 2016: 62,000 or 0.20% of the total number of shares

In addition, in the Group Executive Committee was included in 2016: **Paul Taimitarha**, Managing Director, Leipurin Plc until February 29, 2016

ASPO SUBSIDIARIES' BOARD OF DIRECTORS

MARCH 1, 2017

ESL SHIPPING LTD

Aki Ojanen
Chairman of the Board since 2009

Mikko Niini
M.Sc. (Tech.)
Member of the Board since 2012
Managing Director, Aker Arctic Technology Inc, 2005–2014

Kimmo Nordström
Member of the Board since 2016
Chairman of the Board, Containerships Ltd Oy

Ulla Tapaninen
Ph.D., docent
Member of the Board since 2012
Senior Advisor, City of Helsinki

LEIPURIN PLC

Aki Ojanen
Chairman of the Board since 2009

Jukka Havia
M.Sc. (Econ.)
Member of the Board since 2014
Chief Financial Officer, Tikkurila Oyj

Kaisa Poutanen
D.Sc. (Tech.)
Member of the Board since 2014
Research Professor, VTT Technical Research Centre of Finland

Esa Rautalinko
M.Sc. (Econ.)
Member of the Board since January 1, 2017
Chairman of the Board, Cinia Group Ltd.

Harri Sivula
M.Sc. (Admin.)
Member of the Board 2010–2013 and since 2014
Managing Director, GS1 Finland Oy
Chairman of the Board: Tokmanni Plc
Managing Director, Restel Ltd. 2010–2014

TELKO LTD

Aki Ojanen
Chairman of the Board since 2009

Anders Dahlblom
M.Sc. (Econ.)
Member of the Board since March 1, 2017
CFO, Paroc Group Oy

Elina Piispanen
M.Sc. (Econ.)
Member of the Board since March 1, 2017
Chief Transformation Officer, Sanoma Media Finland

Irmeli Rytkönen
LL.M.
Member of the Board since March 1, 2017
CEO, Gigantti Oy Ab

KAUKO LTD

Aki Ojanen
Chairman of the Board since 2009

Pirja Heiskanen
M.Sc. (Tech.), Ph.D.
Member of the Board since 2012
Vice President, Futurice Ltd

Hanna-Mari Parkkinen
MBA
Member of the Board since 2015
Group Business Design Director, Fjord Design and Innovation from Accenture Interactive

Juha Pankakoski
M.Sc. (Eng.), eMBA
Member of the Board since 2015
Chief Digital Officer, CIO, Konecranes Plc

FINANCIAL STATEMENTS 2016

20 **Annual Report**

Consolidated Financial Statements, IFRS

30 Consolidated Statement of Comprehensive Income
31 Consolidated Balance Sheet
32 Consolidated Cash Flow Statement
33 Consolidated Statement of Changes in Equity
34 Notes to the Consolidated Financial Statements
69 Key Figures
70 Calculation Principles of Key Figures

Parent Company's Financial Statements, FAS

71 Parent Company's Income Statement
72 Parent Company's Balance Sheet
73 Parent Company's Cash Flow Statement
74 Notes to the Parent Company's Financial Statements

80 **Shares and Shareholders**
82 **Dividend Proposal of the Board**
83 **Auditor's Report**
86 **Information for Investors**

ASPO

ANNUAL REPORT 2016

Aspo is a conglomerate that owns and develops business operations in northern Europe and growth markets, focusing on demanding B-to-B customers. Aspo's strong company brands – ESL Shipping, Leipurin, Telko and Kauko – aim to be market leaders in their sectors. They are responsible for their own operations and customer relationships, and the development of these. Together they generate Aspo's goodwill. Aspo's Group structure and business operations are continually developed without any predefined schedule.

Aspo's operating segments are: ESL Shipping, Leipurin, Telko, and Kauko. Other operations include Aspo Group's administration, the financial and ICT service center, and a small number of other operations not covered by business units.

OPERATIONAL PERFORMANCE

The development of industrial production in Finland and the rest of Europe took a turn for the better in 2016. The consequences of the crisis between Russia and Ukraine, together with protectionism which is slowly raising its head, shaped the structure of trade. The increase in oil prices caused the value of the Russian ruble to increase. Nevertheless, consumption demand and investments fell during 2016. However, Aspo was able to increase its sales in eastern markets. Interest rates remained low in 2016.

NET SALES

Aspo Group's net sales increased from the previous year, being EUR 457.4 million (445.8).

FINANCIAL PERFORMANCE

Aspo Group's operating profit amounted to EUR 20.4 million (20.6). ESL Shipping's operating profit decreased to EUR 12.6 million (14.7). The operating profit of Leipurin fell to EUR 2.0 million (2.4). Telko's operating profit decreased to EUR 10.1 million (10.4). The operating profit of Kauko amounted to EUR -0.1 million (-1.2). The operating profit of other operations increased and was negative at EUR -4.2 million (-5.7).

Earnings per share were EUR 0.49 (0.61) for the financial year. Equity per share was EUR 3.75 (3.36). The result for the comparative period was significantly improved by a gain of EUR 4.9 million recognized in financial items on the sale of shares in Alandia Insurance owned by ESL Shipping. Its effect on earnings per share was approximately EUR 0.16. The result for the comparative period was reduced by an impairment loss of EUR 1.3 million recognized related to Kauko goodwill in conjunction with the divestment of the Industrial business, and EUR 2.0 million in charges imposed by Finnish Customs in relation to materials imported by Telko in 2013 and 2014 and related advisor fees.

More information about the Group's key figures and their calculation principles are available from the table of key figures in the consolidated financial statements.

FINANCIAL TARGETS

Aspo's objective is to reach an average return on equity of over 20%, gearing of up to 100% and an operating profit of 7% with the current structure by 2020.

The operating profit rate for the financial year was 4.5% (4.6), return on equity was 14.6% (19.1), and gearing was 89.8% (101.4).

ASPO' S BUSINESS OPERATIONS

ESL Shipping

ESL Shipping is the leading dry bulk cargo company in the Baltic Sea region. At the end of the year, the company's fleet consisted of 14 vessels, of which the company owned 13 in full and one was leased. ESL Shipping's service range is based on the company's ability to operate effectively and reliably in Nordic ice regions and to load and unload vessels at sea. Transportation operations in the Baltic Sea and the North Sea are based on long-term customer agreements and established customer relationships.

The general market prices of dry bulk cargo increased at the end of 2016, while they are still low when evaluated in the long term.

At the end of the year, the shipping company signed an annual agreement with a Russian steel company on the transportation of iron pellets to European markets, using a Supramax vessel. Key factors for the agreement include the excellent ice strengthening of ESL Shipping's vessels and their ability to handle loads independently.

The shipping company expanded its customer base to the demanding transportation of project bulk cargo using its 13,000-ton vessel in the Russian arctic. During the year, one of the shipping company's two Supramax vessels operated in special markets in the Canadian arctic.

ESL Shipping maintained its high profitability in 2016, regardless of the exceptionally challenging market environment at the beginning of the year, with operating profit being EUR 12.6 million (14.7). The shipping company's net sales decreased to EUR 71.4 million (76.2). This decrease was affected heavily by the historically difficult market situation involving large dry bulk cargo vessels at the beginning of the year, which forced the shipping company's Supramax vessels to operate in the loss-producing spot market. On an annual level, the Supramax vessels produced a small loss, regardless of the good result towards the end of the year. However, their profitability was clearly higher than on average in the market.

The volume of cargo carried by ESL Shipping in 2016 amounted to 10.7 (11.1) million tons. The decrease in volume was mainly caused by the distances traveled by the Supramax vessels, which were longer than in the comparative period. Transportation volumes in the steel industry were clearly lower than in the previous year. In the energy industry, the transportation volume of coal increased slightly from the year before. The transportation volumes of biofuels and in other industries increased significantly from last year's corresponding figures.

The shipping company's newbuilding project of two of the world's first LNG-fueled handy-size dry bulk cargo vessels has proceeded according to schedule, and its cooperation with the shipyard of Sinotrans & CSC Jinling has been productive. The new vessels will start operating in the first half of 2018.

NET SALES BY SEGMENT

	2016 MEUR	2015 MEUR	Change MEUR	Change %
ESL Shipping	**71.4**	76.2	-4.8	-6.3
Leipurin	**112.7**	117.8	-5.1	-4.3
Telko	**240.3**	215.3	25.0	11.6
Kauko	**33.0**	36.5	-3.5	-9.6
Other operations	**0.0**	0.0	0.0	
Total	**457.4**	445.8	11.6	2.6

NET SALES BY MARKET AREA

	2016 MEUR	2015 MEUR	Change MEUR	Change %
Finland	**149.4**	147.7	1.7	1.2
Scandinavia	**47.5**	51.8	-4.3	-8.3
Baltic countries	**50.4**	50.4	0.0	0.0
Russia, Ukraine + other CIS countries	**145.6**	128.3	17.3	13.5
Other countries	**64.5**	67.6	-3.1	-4.6
Total	**457.4**	445.8	11.6	2.6

OPERATING PROFIT BY SEGMENT

	2016 MEUR	2015 MEUR	Change MEUR	Change %
ESL Shipping	**12.6**	14.7	-2.1	-14.3
Leipurin	**2.0**	2.4	-0.4	-16.7
Telko	**10.1**	10.4	-0.3	-2.9
Kauko	**-0.1**	-1.2	1.1	91.7
Other operations	**-4.2**	-5.7	1.5	26.3
Total	**20.4**	20.6	-0.2	-1.0

INVESTMENTS BY SEGMENT EXCLUDING BUSINESS ACQUISITIONS

	2016 MEUR	2015 MEUR	Change MEUR
ESL Shipping	**5.0**	13.2	-8.2
Leipurin	**0.3**	0.5	-0.2
Telko	**1.4**	1.0	0.4
Kauko	**0.0**	0.1	-0.1
Other operations	**0.2**	0.3	-0.1
Total	**6.9**	15.1	-8.2

The new vessels will operate in the northern Baltic Sea, improving the efficiency of the transportation chain and significantly reducing the environmental load of operations. The EU supports energy-efficiency and environmental investments in ships. ESL Shipping will receive funding of at most EUR 5.9 million in 2016–2019, of which EUR 2.1 million was paid in 2016. In addition to ESL Shipping, the Bothnia Bulk project involves SSAB Europe Oy, Luleå Hamn AB, Oxelösunds Hamn AB, Raahen Satama Oy and Raahen Voima Oy. The EU funding has been awarded from the Connecting Europe Facility Transport instrument.

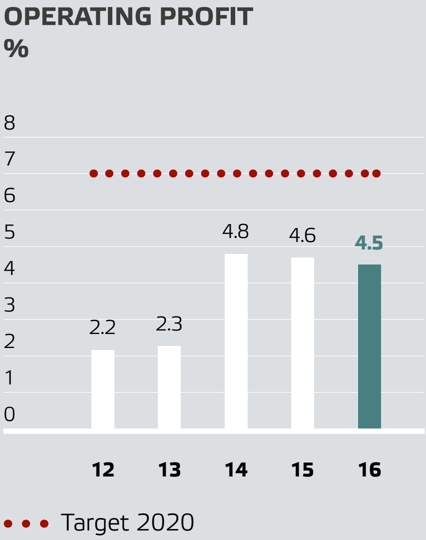
Leipurin

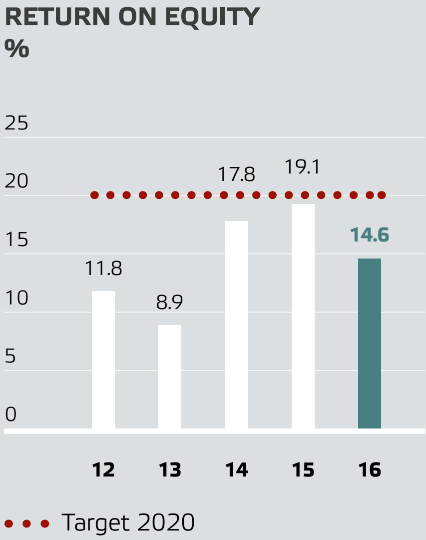
Leipurin is a unique provider of solutions for bakery and confectionery products, the food industry and the out of home (OOH) market. The solutions offered by Leipurin range, for example, from product development, recipes, raw materials, training and equipment all the way to the design of sales outlets. As part of its full-range services, Leipurin designs, delivers and maintains production lines for the baking industry, baking units and other machinery and equipment required in the food industry. Leipurin uses leading international manufacturers as its raw material and machinery supply partners. Leipurin operates in Finland, Russia, the Baltic countries, Poland, Ukraine, Kazakhstan and Belarus.

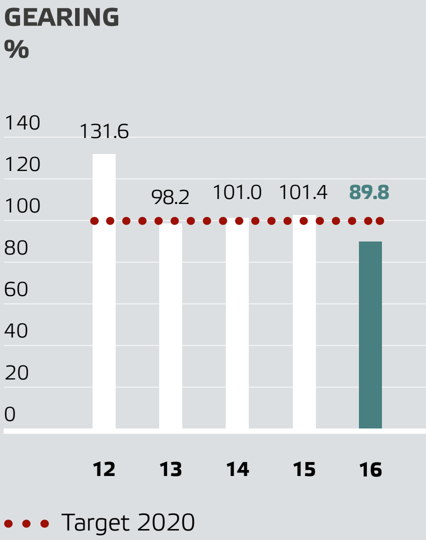
In 2016, the prices of raw materials that are important to Leipurin remained at the previous year's level.

In 2016, the net sales of Leipurin's raw material business grew in Finland and eastern markets but, in total, remained at the previous year's level.

According to its revised strategy, Leipurin has expanded its operations to the out-of-home (OOH) market, especially in Finland and western markets. It has also launched operations in eastern markets. Leipurin opened a cafeteria in Finland to test consumer behavior in the OOH customer segment. With this cafeteria, Leipurin can develop and test its OOH offering for its entire operational area.







Machinery and equipment investments remained at a low level in all Leipurin's operating countries during the financial year. Machinery operations showed a loss during the financial year due to the unfavorable development of the Russian market. A profit improvement program was implemented in Leipurin's own machine production and resources were adapted through temporary layoffs and a local agreement on flexible working hours.

In Russia, retail sales decreased from the year before and, along with the general downward trend, consumption and prices of industrial bread fell. The increasing range of in-shop bakery breads of the lowest price category has shifted bread consumption towards more affordable products. There is a trend in the Russian bakery industry to use more affordable and locally produced raw materials. Leipurin has responded to this change in demand by replacing imported raw materials with locally purchased bakery raw materials.

The net sales of Leipurin stood at EUR 112.7 million (117.8), and operating profit was EUR 2.0 million (2.4). The net sales generated in Russia, Ukraine and other CIS countries totaled EUR 30.6 million (30.6).

The net sales and profitability of raw material operations remained at the previous year's level. The net sales of machine prodution fell, and the operations produced a loss in 2016. Furthermore, the investments associated with the implementation of the new strategy reduced the operating profit. Leipurin revised its brand identity during the financial year 2016.

Mikko Laavainen started as the Managing Director of Leipurin Plc on March 1, 2016.

Telko

Telko is a leading expert and supplier of plastic raw materials and industrial chemicals. Business is based on representation of the best international principals and on the expertise of the personnel. Telko has subsidiaries in Finland, the Baltic countries, Scandinavia, Poland, Russia, Belarus, Ukraine, Kazakhstan, Azerbaijan and China.

In the eastern markets, the operating environment continued to be a challenging one in 2016, even though the increase in oil prices strengthened the value of the ruble nearly throughout the year and also improved Russia's economic outlook. In the western markets, improvements in the operating environment supported demand, which also increased profitability in the area. According to the representation agreement signed in 2015, Telko expanded its operations to Castrol's automotive motor oil products in Finland.

In 2016, Telko's net sales increased to a record-high level at EUR 240.3 million (215.3). The increase in the net sales accelerated towards the end of the year and the full-year net sales grew by 12%, regardless of the prices of plastic and industrial chemical raw materials being lower than on average. The increase in the net sales was mainly attributable to new customer accounts, new principals and growth in sales volumes. The operating profit stood at EUR 10.1 million (10.4).

Net sales in the eastern markets grew by 16% in 2016, amounting to EUR 110.8 million (95.5). Telko's net sales grew by 13% in Russia, by 18% in Ukraine and by 5% in the western markets. Sales volumes of plastics and chemicals grew both in the east and the west. In the western markets, the operating profit and the operating profit rate increased, while they fell in the eastern markets.

Kauko

Kauko is a specialist in demanding mobile knowledge work environments. It supplies the best tools, solutions for improving productivity and services for securing effective use for the needs of industries, logistics, healthcare sector and the authorities. Kauko solutions combine customized applications, devices and services. Its product range also includes products that improve energy efficiency. Kauko has companies in Finland and Germany.

Total sales of computers decreased in Finland from the previous year. However, sales of special rugged computers and tablets designed for demanding mobile knowledge work increased during 2016. In terms of decentralized energy production, the sales of solar power systems, in particular, have increased, and this strong increase is expected to continue.

In 2016, Kauko's net sales fell by 10%, amounting to EUR 33.0 million (36.5). Operating result stood at EUR -0.1 million (-1.2). During the comparative period, operating result decreased due to the divestment of the Industrial business, in conjunction with which Aspo assessed the goodwill of the Kauko segment, and recognized an impairment loss of EUR 1.3 million.

In 2016, the sale of energy-efficiency equipment developed well, compared with the comparative period. Solar power systems showed the fastest growth. The sale of air source heat pumps was at the level of the comparative period. The net sales of mobile knowledge work remained at the previous year's level. Sales to China fell clearly from the comparative period, due to the smaller number of project deliveries.

During the financial year, Kauko established a subsidiary in Germany with the aim of improving IT sales to the healthcare sector and sales of the mobile workstation developed by Kauko in Germany and other markets in Central Europe.

Key employees resigned in Finland and Germany from the organization of mobile IT units delivered to hospitals. Kauko will investigate and identify whether the non-compete clause has been breached and whether confidential positions have been misused. Reorganizations have been made in Finland and Germany.

In the spring, the name Kaukomarkkinat was changed to Kauko, and the company revised its identity and completely changed its customer communications in accordance with the new strategy. According to its new strategy, Kauko continued to expand its service range and invested in the development and sale of solutions for demanding mobile knowledge work. In addition, the company launched new business development projects that required the recruitment of new technical and commercial specialists and the further development of internal operating models.

Other operations

Other operations include Aspo Group's administration, the financial and ICT service center, and a small number of other functions not covered by business units.

The operating profit of other operations was EUR -4.2 million (-5.7). The cost efficiency of other operations rose to the target level during the financial year. The improvement in result is based on the decrease in the level of fixed costs, e.g. rents and employee benefit expenses, as a result of improved efficiency.

CHANGES IN GROUP STRUCTURE

During the financial year, OOO NPK Leipurin, a production unit of the Leipurin segment, in Russia and LeiConcept Oy in Finland were established. Telko established OOO Telko Terminal for its terminal project in Russia and Telko Caucasus LLC in Azerbaijan. In Sweden, Aspokem AB was merged with Telko Sweden AB. Kauko established a subsidiary Kauko GmbH in Germany.

FINANCING

The Group's cash and cash equivalents amounted to EUR 22.6 million (23.9). The consolidated balance sheet included a total of EUR 125.4 million (127.9) in interest-bearing liabilities. The average rate of interest-bearing liabilities was 1.8% (1.7) at the end of the financial year. Non-interest-bearing liabilities totaled EUR 69.8 million (74.3).

Aspo Group's gearing was 89.8% (101.4) and its equity ratio was 37.4% (33.8).

The Group's net cash from operating activities stood at EUR 16.2 million (25.0). During the financial year, the change in working capital was EUR -10.6 million (-4.2). Working capital was tied, in particular, to the strong growth of Telko. Net cash from investing activities totaled EUR -6.1 million (-9.9) and was affected positively by the EU subsidy of EUR 2.1 million received by ESL Shipping. During the comparative period, the net cash from investing activities was positively affected by a sales gain of EUR 4.9 million from Alandia shares. The Group's free cash flow was EUR 10.1 million (15.1).

In November, ESL Shipping Ltd signed vessel financing agreements of EUR 50 million to finance its newbuilding projects. The loan period of the two separate agreements is seven years, and the repayment schedule includes a grace period of three years and a payback profile corresponding to a loan period of 12 years. The financing agreements will be fully used after the completion of the vessels, no later than in 2018. The new agreements extend the average maturity of Aspo Group's financing and, on their part, reduce the average interest rate of financing. In June, Aspo signed a revolving credit facility agreement of EUR 20 million. Its maturity is three years, and the agreement replaced an expiring revolving credit facility agreement of the same amount. In December, Aspo decreased its revolving credit facility and cancelled EUR 20 million part of the original EUR 40 million revolving credit agreement.

On May 27, 2016, Aspo issued a new hybrid bond of EUR 25 million, treated as equity in the consolidated balance sheet. The fixed coupon rate of the bond is 6.75% per annum. The bond has no specified maturity date, but the company may exercise an early redemption option after four years of its issuance date. In May 2016, Aspo issued a tender offer to redeem EUR 15.4 million of the EUR 20 million hybrid bond issued in November 2013. The remaining capital of EUR 4.6 million was redeemed on November 18, 2016, in compliance with the terms and conditions of the loan.

The amount of committed revolving credit facilities signed between Aspo and its main financing banks stood at EUR 40 million at the end of the financial year. At the end of the year, the revolving credit facilities remained fully unused. A revolving credit facility EUR 20 million will mature in 2017. Aspo's EUR 80 million commercial paper program remained fully unused.

Aspo has hedged its interest rate risk by means of an interest rate swap. Its fair value on December 31, 2016 was EUR -0.6 million (-0.7).

Aspo Group has hedged its currency-denominated cash flows associated with the acquisition of new vessels using currency forward agreements, to which hedge accounting is applied. The nominal value of these currency forward agreements was EUR 36.2 million, and their fair value was EUR 1.7 million (0.1) on December 31, 2016.

INVESTMENTS

In 2016, the Group's investments stood at EUR 6.9 million (15.1), mainly consisting of ESL Shipping's ship docking and maintenance investments, and advance payments for the shipping company's upcoming LNG-fueled dry cargo vessels. The EU supports energy-efficiency and environmental investments in ships. ESL Shipping will receive, at most, EUR 5.9 million in subsidies in 2016–2019, of which EUR 2.1 million was paid in 2016. In addition, investments were increased by the takeover of Telko's new business operation in Finland.

PERSONNEL

At the end of the year Aspo Group had 895 employees (857). The number of personnel has increased as a result of the expansion of Leipurin and Telko in the east.

Of Aspo Group’s personnel, 46% (51) work in Finland, 38% (34) in Russia, Ukraine and other CIS countries, 8% (8) in Baltic countries, 2% (2) in Scandinavia, and 6% (5) in other countries. Men make up 58% (60) and women 42% (40) of the workforce. Of Aspo Group’s employment contracts, 97% (97) are full-time. During the financial year, 124 (89) new employment contracts were signed. The cost of all employee benefits within the Group in 2016 amounted to EUR 40.0 million (41.0).

Remuneration

Aspo Group applies a profit bonus plan which was adopted in 2013. The profit bonus system applied to Finnish personnel is linked with the personnel fund so that the bonus can be invested in the personnel fund or withdrawn in cash. The long-term goal of the funding system is that the personnel will become a significant shareholder group in the company. All persons working at Aspo Group's Finnish companies are members of the personnel fund.

In 2015, the Board of Directors of Aspo Plc approved a share-based incentive plan for about 30 persons. The plan includes three earnings periods, the calendar years 2015, 2016 and 2017. The Board of Directors will decide on the plan's performance criteria and required performance levels for each criterion at the beginning of each earnings period.

The reward from the earnings period 2015 was based on the Group's earnings per share (EPS). In 2016, on the basis of the 2015 earnings period, employees included in the plan received 88,970 treasury shares as a share-based reward, as well as cash equaling the value of the shares in order to pay taxes.

The reward from the 2016 earnings period was based on the Group's earnings per share (EPS). On the basis of the 2016 earnings period, employees included in the plan will receive 26,040 treasury shares as a share-based reward, as well as cash equaling the value of the shares at most in order to pay taxes.

In accordance with the rules of incentive plans a total of 5,275 treasury shares, originally granted on the basis of share-based incentive plans, were returned due to ended contracts of employment.

RISKS AND RISK MANAGEMENT

Aspo's operating environment remained a highly challenging one throughout the year. In general, the economy of each of Aspo's operating countries decreased throughout the year, but at the end of the year there were signs of recovery in different areas. In western countries, national economies are growing slowly, while the decline has slowed down in the east. At the end of the year, imports in Russia, a country important to Aspo, turned into an increase and the full-year increase in oil prices strengthened the ruble. In Russia, the rate of inflation stopped at the 2012 level at the end of the year and, in particular, the prices of food products are increasing more slowly than in previous years.

Cargo prices increased slowly throughout the year. A slow turn for the better can also be seen in decreasing risks in all of Aspo's businesses. Nevertheless, quick changes in international politics, exchange rates or commodities markets may have an impact on demand for and the competitiveness of products of Aspo's companies. Growth in eastern and western markets was still limited by the slow demand for investment assets.

Strategic risks

In addition to the western markets, Aspo operates in areas where financial development may quickly become negative or positive, as a result of which there may be significant changes in business preconditions.

Due to an increase in the prices of imported products in Russia and Ukraine, consumer demand slowed down and the economy contracted. Towards the end of the year, the Russian economy only contracted to a small extent and inflation slowed down significantly. According to estimates, the Russian economy will turn into growth during 2017. Slower consumption demand has affected trade, but the increase in nominal salaries gives signs of growing consumption. No signs of further decline were visible in the financial markets and payments in Russia and Ukraine. Companies are more eager to make investments, while caution still slows down the sale of investment commodities.

In Russia, the impact of increased prices of imported goods and financial sanctions has been reduced through the means of local procurement and production. An increasing volume of raw materials and goods produced in Russia has been entered into use by the industry, regardless of their lower quality. This may reduce the position of imported raw materials in the value chain and the margin level. However, an increase in import volumes may correspondingly reduce related risks faced by Aspo.

The weaker economic and political situation in Aspo's market areas may have made it more difficult to implement the structural changes defined in Aspo's strategy. This situation may continue unchanged, but, if the economic and political pressure alleviates, it may be reversed fairly quickly.

Financial sanctions or any other obstacles caused by the current situation in Russia may, in part, reduce transportation volumes from Russia and there may be a decrease in unloading services for large ocean liners at sea. The social objective to reduce the consumption of coal in energy production in Finland and the rest of Europe has increased in significance, which may reduce the need to transport coal. Correspondingly, the need for replacement energy products may increase transportation. For these reasons, it is difficult to estimate future transportation volumes. The low level of international cargo indices and a global increase

PERSONNEL

	2016	2015	2014
Average personnel during the financial year	**871**	862	882
Wages, salaries and share-based payments during the financial year, MEUR	**32.6**	33.9	36.6

AVERAGE PERSONNEL BY SEGMENT

ESL Shipping	**2016**	**2015**
Office staff	**25**	24
Crew members	**200**	202
	225	226
Leipurin		
Office staff	**256**	252
Non-office workers	**58**	40
	314	292
Telko		
Office staff	**256**	249
Non-office workers	**11**	15
	267	264
Kauko		
Office staff	**36**	45
Non-office workers	**6**	7
	42	52
Other operations		
Office staff	**23**	28
Total	**871**	862

in vessels, especially in larger size categories, have increased uncertainty over the long-term profitability of shipping companies, even though there are signs of stabilization in cargo indices and the number of vessels.

In addition to the internationally poor economic situation and the political atmosphere, strategic risks are caused by the outlook and production solutions of industrial customers. Decisions on energy production structures affected by the environmental policy and other political choices may cause changes in industry and energy production that may decrease the use of fossil fuels and increase the use of alternative forms of energy. The flow of goods in the Baltic Sea may change as a result of steel production, cost structures, changes in the customer structure, such as consolidation, or other reasons. These changes may have negative consequences on operations as the need for transportation decreases, but they may also be seen as significant opportunities. As a result of low cargo prices in international shipping, competition over cargoes may also intensify in the Baltic Sea and also because of mild and iceless winters. To improve its competitive position, ESL Shipping is building new low-emission vessels with a high fuel economy suitable for this area and for customers operating in this area.

Strategic risks are affected by long-term changes in cargo prices, investment trends, and changes in trade structures, especially in western markets. In the eastern markets, risks are increased by such factors as political instability, social structures or the lack of any reaction to the difficulties encountered by business operations. Any accumulation and discharge of investments in the long term may cause changes in the competitive situation and customer behavior.

Rapid changes in financial structures may cause risks due to changes in the customer or principal structure or technologies, and due to unutilized opportunities that require a quick response. Aspo's strategic risks are evened out by the distribution of business operations over four segments, its engagement in business operations in a broad geographical area, and its ability to react quickly to changing situations.

Operational risks

Even though economic uncertainty in Aspo's operating environment decreased during the financial year, operational risks have remained unchanged. These include risks related to supply chains and individuals.

The focus of Aspo's growth has for long been on emerging market areas, where risks that decelerate growth are affected by factors such as the exchange and interest rates, level of and changes in the global market prices for raw materials, industrial and commercial investments, customer liquidity, changes in legislation and import regulations, and inactivity or non-neutrality of the authorities or corruption.

Economic growth and, alternatively, any decrease in production may have an impact on demand for raw materials in the eastern markets. Political and economic instability makes commercial activities more difficult and, if the situation prolongs, it may also decelerate the growth of Aspo's businesses. Consumer behavior is also reflected in the risks generated through B-to-B customers and their risk levels. The growth opportunities presented by emerging markets boost interest among competitors in launching or expanding business in these areas. The challenging emerging markets and the escalated situation in Ukraine have also caused competitors to withdraw from the area, which has created new potential for Aspo's businesses, increased their market shares and, in some business areas, even improved profitability. The competition has returned to normal level, for example, in Ukraine.

Hedging against exchange rate changes is not possible in all situations, and especially without interruptions. Changes in exchange rates may weaken results and also reduce equity on the balance sheet as a result of translation differences. On the other hand, changes in exchange rates may strengthen results and the balance sheet. As changes in credit loss risks are diversified across businesses and customers, Aspo's businesses have not been subjected to any significant credit losses, even though credit loss risks have increased.

The quantity and probability of the Group's loss risks are assessed regularly. A bidding process was launched for non-life insurance and the amounts insured were updated in 2016. The amounts insured are sufficient in view of the scope of Aspo's operations, but insurance companies may restrict the validity of insurance policies, as a result of risks increasing for various reasons for example military operations.

Financial risks

Aspo Group's financing and financial risk management are carried out centrally by the parent company in accordance with the treasury policy approved by the Board of Directors.

Refinancing risk

Refinancing risk is managed by decentralizing interest-bearing debt with respect to the counterparty, the form of financing, and maturity.

Liquidity risk

Liquidity risk is managed by securing the Group's sufficient cash and cash equivalents together with committed revolving credit facilities and other financing reserves.

Interest rate risk

The company hedges against interest rate changes by binding interest-bearing debt partly to floating rate loans and partly to fixed-rate loans. In addition, interest rate derivatives are used for hedging against interest rate risks.

Credit risks

The Group uses terms of payment based on advance payments and bank guarantees to hedge against credit risks. Deep understanding of customers is an integral part of the credit risk management.

Currency risk

Within Aspo Group, the currency risk is primarily managed through customer and supplier agreements at the business level, and secondarily using currency derivatives.

Additional information on the financial risks on the Financial Statements' Note 26.

Internal control and risk management

One of the responsibilities of Aspo's Audit Committee is to monitor the efficiency of the Group's internal control, internal audit, and risk management systems. The Audit Committee monitors the risk management process and carries out necessary measures to prevent strategic risks in particular. In accordance with the internal control principles approved by the Board of Directors, risk management is part of Aspo's internal control, and its task is to ensure the implementation of the Group's strategy, development of financial results, shareholder value, dividend payment ability, and continuity in business operations. The operational management of each business is responsible for risk management. The management is responsible for specifying sufficient measures and their implementation, and for monitoring and ensuring that the measures are implemented as part of day-to-day management of operations. The risks of Telko and ESL Shipping were re-assessed during the fourth quarter, and those of other businesses will be updated at the beginning of 2017. Risk management is coordinated by Aspo's CFO, who reports to the Group CEO.

A more detailed account of the risk management policy and the most significant risks is available on the company's website.

RESEARCH AND DEVELOPMENT

Aspo Group's R&D focuses, according to the nature of each segment, on developing operations, procedures and products as part of the customer-specific operations, which means that the development inputs are included in normal operational costs and are not itemized.

ENVIRONMENT AND CERTIFICATION

At Aspo, sustainability can be seen at a global, social and individual level. An example of Aspo's global sustainability is the investment made by ESL Shipping in the world's first LNG-fueled handy-size dry bulk cargo vessels that produce more than 50% lower carbon dioxide emissions per transported ton than its current vessels. Above all, social sustainability means sustainable leadership: only a growing company can create jobs, tax income and wellbeing. Individual sustainability can be seen in how Aspo treats its employees justly and equally in all of its operating countries.

In 2016, Aspo ordered a comprehensive sustainability analysis for its operating environment from Ethica Oy, a development and training company specializing in the circular economy and sustainable business. The purpose was to analyze sustainability drivers and trends that have an impact on the company's businesses and, in this respect, draw a picture of the strengths and development areas of Aspo's subsidiaries.

The analysis helps Aspo to respond even better to sustainability requirements set in national and international regulations and by its principals and customers. Aspo wants to be a pioneer which bears its corporate responsibility beyond the minimum requirements of laws and regulations. This analysis also supports the wider sustainability reporting obligation of companies which entered into force at the beginning of 2017.

ESL Shipping

ESL Shipping's operations and all of its vessels are certified in accordance with the requirements of the International Maritime Organization's International Safety Management code. In addition, the shipping company has the ISO 14001 environmental certificate. Ships are the most ecological options to transport large cargos, and ESL Shipping has, for example, been determined to improve its fuel economy.

Leipurin

Leipurin focuses specifically on the high level of quality and safety of all of its products. It requires its partners and suppliers to follow environmental and operational systems that fulfill tight quality criteria. In Finland, the Leipurin operating model has been granted the ISO 9001:2000 certificate.

Telko

Tight quality criteria guide Telko's functions. The company has been granted the ISO 9001 certificate, and it also follows the trade version of the Responsible Care program of the chemical industry. Accordingly, Telko is committed to continuously and voluntarily developing issues related to the environment, safety and health. This commitment has been verified in an external SQAS/ESAD audit. Telko has also signed the Ethical and Business Principles of the European Association of Chemical Distributors FECC.

Kauko

Kauko offers solutions for mobile knowledge work and energy-saving products, such as solar energy systems, which signifies that environmental issues are highly important to the company's principals. Commitment to sustainable development is evident in all operations, all the way from product design and manufacture to recycling.

SHARE CAPITAL AND SHARES

Aspo Plc's share capital on December 31, 2016 was EUR 17,691,729.57 and the total number of shares was 30,975,524 of which the company held 396,226 shares; that is 1.3% of the share capital. Aspo Plc has one share series. Each share entitles the shareholder to one vote at the shareholders' meeting. Aspo's share is quoted on Nasdaq Helsinki Oy's Mid Cap segment under industrial products and services.

During January-December 2016, a total of 2,490,725 Aspo Plc shares with a market value of EUR 17.3 million were traded on Nasdaq Helsinki, in other words, 8.0% of the shares changed hands. During January-December 2016, the share price reached a high of EUR 8.21 and a low of EUR 6.00. The average price was EUR 6.95 and the closing price at year-end was EUR 8.18. At the end of the year, the market capitalization excluding treasury shares was EUR 250.1 million.

The number of Aspo Plc shareholders was 9.236 at year-end. A total of 697.919 shares, or 2.3% of the share capital, were nominee registered or held by non-domestic shareholders.

Aspo Plc's new trading code (stock symbol) in Nasdaq Helsinki is ASPO. Previously it was ASU1V. The new trading code was effective on June 27, 2016.

Additional information on shareholding in Shares and Shareholders section.

Flagging notification

On May 31, 2016 shareholder Tatu Vehmas informed that Aatos Vehmas and Liisa Vehmas have authorized him to use the voting rights of Aspo shares owned by them so that his share of the voting rights in Aspo Plc has increased above five per cent (5%).

MANAGEMENT AND AUDITORS

In 2016, the Annual Shareholders' Meeting re-elected to the Board of Directors LL.M, MBA Mammu Kaario, LL.M. Roberto Lencioni, B.Sc. (Econ.), eMBA Gustav Nyberg and M.Sc. (Tech.) Risto Salo and M.Sc. (Econ.) Mikael Laine and D.Sc. (Econ.) Salla Pöyry were elected as new members of the Board of Directors. At the Board's organizing meeting held after the Annual Shareholders' Meeting, Gustav Nyberg was elected as Chairman of the Board and Roberto Lencioni as Vice-Chairman. At the meeting the Board also decided to appoint Roberto Lencioni Chairman of the Audit Committee and Mammu Kaario, Mikael Laine and Salla Pöyry as committee members.

In 2016, the Board of Directors arranged 11 meetings, of which four were teleconferences. The average participation rate was 99%.

eMBA Aki Ojanen has acted as the CEO of the company.

The authorized public accountant firm Ernst & Young Oy has been the company's auditor. Harri Pärssinen, APA, has acted as the auditor in charge.

DECISIONS OF THE SHAREHOLDERS' MEETINGS

Dividend

The Annual Shareholders' Meeting of Aspo Plc on April 7, 2016, approved the payment of a dividend totaling EUR 0.41 per share according to the Board's proposal. The dividend's payment date was April 18, 2016.

Shareholders' Nomination Board

The Annual Shareholders' Meeting decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual Shareholders' Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the Board committees. In addition, the Meeting adopted the Charter of the Shareholders' Nomination Board.

Board authorizations

Authorization of the Board of Directors to decide on the acquisition of treasury shares

The Annual Shareholders' Meeting on April 7, 2016 authorized the Board of Directors to decide on the acquisition of no more than 500,000 of the treasury shares using the unrestricted equity of the company. The authorization includes the right to accept treasury shares as a pledge. The authorization will remain in force until the Annual Shareholders' Meeting in 2017 but not more than 18 months from the approval at the Shareholders' Meeting. The Board of Directors has not used the authorization.

Authorization of the Board of Directors to decide on a share issue of treasury shares

The Annual Shareholders' Meeting on April 9, 2015 authorized the Board of Directors to decide on a share issue, through one or several instalments, to be executed by conveying treasury shares. An aggregate maximum amount of 900,000 shares may be conveyed based on the authorization. The authorization will remain in force until September 30, 2018.

The Board of Directors has used the authorization on March 18, 2016 and granted 88,970 treasury shares to employees included in the earnings period 2015 of the share-based incentive plan 2015–2017.

Authorization of the Board of Directors to decide on a rights issue

The Annual Shareholders' Meeting on April 9, 2015. authorized the Board of Directors to decide on a rights issue for consideration. The authorization is proposed to include the right of the Board of Directors to decide on all of the other terms and conditions of the conveyance and thus also includes the right to decide on a directed share issue, in deviation from the shareholders' pre-emptive right, if a compelling financial reason exists for the company to do so. The total number of new shares to be offered for subscription may not exceed 1,500,000. The authorization will remain in force until September 30, 2018. The Board of Directors has not used the authorization.

PROPOSALS OF THE NOMINATION BOARD TO THE SHAREHOLDERS' MEETING

The Shareholders' Nomination Board consists of the representatives of the four largest shareholders. According to the list of shareholders as of August 31, 2016, the following representatives of the largest shareholders were members of the Nomination Board which prepared proposals for the Annual Shareholders' Meeting 2017: Tatu Vehmas, Chairman (Vehmas family); Veronica Timgren (Nyberg family, including Oy Havsudden Ab); Reima Rytsölä (Varma Mutual Pension Insurance Company); and Mikko Mursula (Ilmarinen Mutual Pension Insurance Company). In addition, Gustav Nyberg, Chairman of Aspo Board of Directors, has acted as an expert member of the Nomination Board.

The Nomination Board of Aspo Plc's shareholders proposes to the Annual Shareholders´ Meeting of Aspo Plc to be held on April 5, 2017 that the Board of Directors will have six members.

Members of the Board

The Nomination Board proposes that Mammu Kaario, Mikael Laine, Roberto Lencioni, Gustav Nyberg, Salla Pöyry and Risto Salo, current members of the company's Board of Directors, be re-elected as members of the Board of Directors for the term closing at the end of the Annual Shareholders' Meeting 2018.

Remuneration paid to the members of the Board

The Nomination Board proposes that members of the Board of Directors receive the following monthly remuneration:

- EUR 2,700 per month for members of the Board of Directors (EUR 2,400 per month in 2016)
- 1.5 x the remuneration paid to ordinary members, i.e. EUR 4,050 per month, for the Vice Chairman (EUR 3,600 per month in 2016)
- 2 x the remuneration paid to ordinary members, i.e. EUR 5,400 per month, for the Chairman (EUR 15,500 per month for the full-time Chairman in 2016)

The Nomination Board proposes that the meeting fees paid to members of the Audit Committee remain unchanged, i.e. EUR 700 per meeting. However, the Nomination Board proposes that 1.5 x the meeting fee paid to members of the Audit Committee be paid to the Chairman of the Audit Committee, i.e. EUR 1,050 per meeting (EUR 700 per meeting in 2016). If the Chairman of the Audit Committee is also the Vice Chairman or the Chairman of the Board of Directors, the Nomination Board proposes that the fee paid to the Chairman of the Audit Committee is the same as that paid to members of the Audit Committee. Board members having a full-time position in an Aspo Group company are not paid a fee.

EVENTS AFTER THE FINANCIAL YEAR

The Group Executive Committee was strengthened as of March 1, 2017. Aspo Group's Legal Counsel, Toni Santalahti, LL.M., was appointed head of legal affairs and a member of the Group Executive Committee.

The Board of Directors of Telko Ltd was renewed as of March 1, 2017. In addition to the chairman of the company's Board of Directors, CEO of Aspo Group, Anders Dahlblom, (M.Sc. (Econ.)), Elina Piispanen (M.Sc. (Econ.)) and Irmeli Rytkönen (LL.M.) were appointed to the Board of Directors of Telko.

OUTLOOK FOR 2017

Global economic growth is expected to speed up in 2017. General uncertainty and a poor economic situation in eastern growth markets that are important areas for Aspo have turned into growth. However, the future development of Russia, Ukraine and other CIS countries is difficult to estimate. The values of currencies are expected to continue to fluctuate heavily.

Oil prices are expected to remain at their low level. In general, prices of production raw materials are expected to remain low. The Group will continue to increase its market share profitably in the strategically important eastern growth markets. Industrial production is expected to grow in the main market areas of Aspo's businesses in 2017. While international dry cargo prices are expected to remain low, the shipping company has secured the use of its capacity mainly through long-term agreements. It has been ensured that one Supramax vessel will operate in the Baltic Sea area in 2017, which significantly reduces the volume of spot traffic. The loss-producing machine operations of Leipurin will turn to produce a profit as a result of the record-high order book.

Guidance for 2017: Aspo's operating profit will be EUR 22–27 (20.4) million in 2017.

ESL Shipping

During the past six months, the market cargoes of large dry cargo vessels have increased notably from the historically low level of a year ago, while they are expected to remain fairly low in 2017. As not many new dry cargo vessels have been ordered, the balance between demand and supply is expected to improve in the next few years. Changes are also accelerated by tighter environmental regulations on shipping that may reduce the availability of the oldest tonnage in the future. Most of the shipping company's transportation capacity has been secured in the Baltic Sea and Northern Europe through long-term agreements. Similarly, the profitable employment of one of the shipping company's two Supramax vessels has already been secured for the current year through a long-term agreement in the Baltic Sea region.

Transportation volumes for the steel industry are expected to improve or remain unchanged. The seasonal variation in demand may require that the capacity of the pusher-barge system be adapted later in spring, similarly to previous years. Demand in the mining and metal industries may increase, partly as a result of increased raw material prices.

Transportation volumes for the energy industry are expected to be higher than in the previous year, which is mainly attributable to the growing demand for the transportation of biofuels. Transportation volume of coal is expected to remain at the previous year's level and its use will focus on the co-production of power and heat, the volumes of which are easier to estimate. The shift is due to the poor profitability of the production of condensate power and the previously announced closings of condensate power plants.

Demand for loading and unloading services for large ocean liners at sea is expected to be high. If required, the shipping company will adapt its capacity in accordance with variation in demand and the needs of any new customer groups by chartering additional external capacity. The company aims to continue its operations in arctic areas, as in previous years.

According to its strategy, the shipping company will continue to expand its customer base, in particular, to customer transportation, where the load range and the company's operating area can be increased while utilizing the independent load handling capability and the exceptionally high ice strengthening of its vessels. In 2017, four ship units will be docked as planned.

Leipurin

The market situation is expected to remain unchanged in the key markets of Leipurin. The company's market position is expected to remain strong in the industrial baking sector in Finland, the Baltic countries and Russia, and its net sales and operating profit are expected to improve.

Russia's poor economic situation is estimated to turn into growth, and the purchasing power of consumers is expected to improve. The local procurement of bakery raw materials has increased in Russia to replace imported raw materials. This aims to respond to changes in demand by developing a product range with more competitive prices and to the ongoing campaign to favor domestic products in Russia. The aim is to increase the proportion of local raw materials above 50%. Local procurement has been decentralized and there are already dozens of significant local production partners. In this market area, Leipurin will maintain its high profitability, strengthen its market position and seek growth in the bread, confectionery and OOH sectors.

The OOH market is a significant new area for Leipurin, and the company will continue its growth in this sector, particularly in Finland and the western markets.

In machine operations, machine investments are expected to increase in Finland and the Baltic countries. In addition, a moderate increase in investments is expected in Russia. In terms of machine operations, Leipurin will continue to strengthen its agent network in Western Europe and the Middle East.

The company's strong investments in the improved competetiveness of machine operations and expansion of sales into new market areas produced a record-high order book at the end of the year, which ensures that the result of machine operations will develop positively in 2017.

Telko

The prices of oil and petrochemical products are expected to remain low. The expected positive recovery of the eastern markets supports Telko's profitability development in the region. Telko's financial development in the western markets is expected to recover during 2017.

In addition to growth, Telko focuses on improving its relative profitability. Increasing the proportion of technical products of a higher value will improve relative profitability, especially in the western markets. Telko will continue to operate in the eastern markets in accordance with its regional strategy by establishing and strengthening its regional units. Telko will investigate possible new operating countries in growth markets in the east and Middle East.

Kauko

The net sales and profitability of solutions for mobile knowledge work are expected to improve. Kauko offers effectively integrated and customized complete solutions that combine application, hardware and other services. Application operations, in particular, are expected to improve profitability. Service operations will be expanded by making a stronger shift towards complete solutions. In the markets of rugged computers, the sale of laptops is expected to decrease and the sale of tablets to increase.

Kauko offers different mobile IT solutions for healthcare sector to improve the efficiency of the nursing staff. Kauko's German-built computer is expected to be available for sale during the first quarter. This new computer allows sales to other OEM channels, as well.

The market of decentralized energy production solutions is expected to continue its growth, especially with regard to solar power. The order book is at an exceptionally good level.

LEGAL PROCEEDINGS

On February 27, 2015, the Helsinki District Court announced its judgement in the case between ESL Shipping and the Finnish State regarding fairway dues levied during the years 2001–2004. According to the judgement, the Finnish State will be required to refund to ESL Shipping approximately EUR 3,0 million in accordance with the company's claim, as well as legal expenses and interest. The State lodged an appeal against the District Court's judgement and, in its ruling issued on August 8, 2016, the Court of Appeal overruled the Helsinki District Court's judgement and dismissed ESL Shipping's legal action as time-barred. The company has applied for a leave to appeal from the Supreme Court.

The shipping company won legal proceedings against Indian ABG Shipyard concerning the compensation payable for repairs made to m/s Alppila during the warranty period. The vessel was delivered to ESL Shipping in 2011. According to the ruling of the arbitration court, ABG Shipyard was required to refund the repair expenses and interest to ESL Shipping according to the company's claims. The impact of ruling will be taken into account during the financial year over which the imposed payment is received.

Aspo Plc has issued a Corporate Governance Statement 2016, which has been published on the company's website www.aspo.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	Notes	Jan 1–Dec 31, 2016	Jan 1–Dec 31, 2015
Net sales	1	**457,404**	445,828
Other operating income	3	**1,224**	1,222
Materials and services	6	**-334,752**	-318,234
Employee benefit expenses	4	**-39,963**	-40,990
Depreciation, amortization and impairment losses	5	**-11,623**	-12,455
Other operating expenses	7	**-51,899**	-54,732
Operating profit		**20,391**	20,639
Financial income	8	**1,045**	5,827
Financial expenses	8	**-4,090**	-5,204
Total financial income and expenses		**-3,045**	623
Profit before taxes		**17,346**	21,262
Income taxes	9	**-1,492**	-1,506
Profit for the period		**15,854**	19,756
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences		**3,240**	-5,752
Cash flow hedges		**1,403**	308
Available-for-sale financial assets	14		1,814
Reclassification			-4,912
Income tax on other comprehensive income	9	**-102**	581
Other comprehensive income for the period, net of taxes		**4,541**	-7,961
Total comprehensive income		**20,395**	11,795
Profit for the period attributable to			
Parent company shareholders		**15,854**	19,756
Total comprehensive income attributable to			
Parent company shareholders		**20,395**	11,795
Earnings per share attributable to parent company shareholders, EUR	10		
Earnings per share		**0.49**	0.61
Diluted earnings per share		**0.49**	0.61

The notes presented on pages 34–70 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

1,000 EUR	Notes	Dec 31, 2016	Dec 31, 2015
Non-current assets			
Intangible assets	11	**9,436**	11,053
Goodwill	12	**42,643**	42,694
Tangible assets	13	**113,320**	116,407
Available-for-sale financial assets	14	**172**	172
Receivables	15	**1,441**	74
Deferred tax assets	17	**3,432**	3,797
Total non-current assets		**170,444**	174,197
Current assets			
Inventories	18	**56,708**	48,442
Accounts receivable and other receivables	19	**59,753**	57,967
Current tax assets		**204**	310
Cash and cash equivalents	20	**22,627**	23,888
Total current assets		**139,292**	130,607
Total assets		**309,736**	304,804

EQUITY AND LIABILITIES

1,000 EUR	Notes	Dec 31, 2016	Dec 31, 2015
Equity attributable to parent company shareholders			
Share capital	21	**17,692**	17,692
Share premium	21	**4,351**	4,351
Invested unrestricted equity reserve	21	**12,054**	11,929
Fair value reserve	21	**936**	-365
Other reserves	21	**25,000**	20,000
Translation differences		**-18,604**	-21,844
Retained earnings		**73,098**	70,812
Total equity		**114,527**	102,575
Non-current liabilities			
Deferred tax liabilities	17	**4,243**	4,978
Loans and overdraft facilities	22	**116,640**	115,586
Other liabilities	23	**368**	510
Total non-current liabilities		**121,251**	121,074
Current liabilities			
Provisions	25	**508**	520
Loans and overdraft facilities	22	**8,794**	12,321
Accounts payable and other liabilities	23	**64,120**	67,773
Current tax liabilities		**536**	541
Total current liabilities		**73,958**	81,155
Total liabilities		**195,209**	202,229
Total equity and liabilities		**309,736**	304,804

The notes presented on pages 34–70 form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

1,000 EUR	Jan 1–Dec 31, 2016	Jan 1–Dec 31, 2015
Cash flows from operating activities		
Operating profit	**20,391**	20,639
Adjustments to operating profit:		
Depreciation, amortization and impairment losses	**11,623**	12,455
Gains and losses on sale of tangible assets	**-86**	-34
Gains and losses on sale of business operations		-16
Employee benefits	**121**	403
Change in provisions	**-12**	16
Change in fair value of contingent consideration		-16
Unrealized foreign exchange gains and losses on operating activities	**-16**	566
Change in working capital:		
Inventories	**-6,331**	-4,052
Current receivables	**121**	-4,469
Non-interest-bearing current liabilities	**-4,463**	4,238
Interest paid	**-3,700**	-3,108
Interest received	**419**	627
Income taxes paid	**-1,866**	-2,260
Net cash from operating activities	**16,201**	24,989
Cash flows from investing activities		
Investments in tangible and intangible assets	**-4,993**	-5,539
Advance payments on vessels	**-1,315**	-9,154
Proceeds from sale of tangible assets	**162**	114
Proceeds from sale of available-for-sale financial assets		4,912
Dividends received	**1**	1
Subsidiaries acquired, payment of the contingent consideration		-282
Sale of business operations and subsidiaries, net of cash disposed of		49
Net cash from investing activities	**-6,145**	-9,899
Cash flows from financing activities		
Repayments of current loans	**-3,528**	-21,943
Proceeds from non-current loans	**7,226**	61,000
Repayments of non-current loans	**-6,664**	-35,326
Repayments of hybrid instrument	**-20,308**	
Proceeds from hybrid instrument issue	**24,844**	
Hybrid instrument, interests	**-883**	-1,400
Dividends distributed	**-12,540**	-12,199
Net cash from financing activities	**-11,853**	-9,868
Change in cash and cash equivalents	**-1,797**	5,222
Cash and cash equivalents Jan. 1	**23,888**	19,258
Translation differences	**536**	-592
Cash and cash equivalents at year-end	**22,627**	23,888

The notes presented on pages 34–70 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1,000 EUR	Notes	Share capital	Share premium	Invested unrestricted equity reserve	Fair value reserve	Other reserves	Translation differences	Treasury shares	Retained earnings	Total
Equity January 1, 2016	21	**17,692**	**4,351**	**11,929**	**-365**	**20,000**	**-21,844**	**-2,751**	**73,563**	**102,575**
Comprehensive income										
Profit for the period									15,854	15,854
Other comprehensive income, net of taxes										
Cash flow hedges					1,301					1,301
Translation differences							3,240			3,240
Total comprehensive income					**1,301**		**3,240**		**15,854**	**20,395**
Transactions with owners										
Dividend payment									-12,540	-12,540
Hybrid instrument, repayment						-20,000			-308	-20,308
Hybrid instrument, issue						25,000			-156	24,844
Hybrid instrument, interests									-715	-715
Share-based incentive plan								410	-134	276
Transfer of reserves				125					-125	0
Total transactions with owners				**125**		**5,000**		**410**	**-13,978**	**-8,443**
Equity December 31, 2016		**17,692**	**4,351**	**12,054**	**936**	**25,000**	**-18,604**	**-2,341**	**75,439**	**114,527**
Equity January 1, 2015	21	**17,692**	**4,351**	**12,021**	**1,844**	**20,000**	**-16,066**	**-3,425**	**67,702**	**104,119**
Comprehensive income										
Profit for the period									19,756	19,756
Other comprehensive income, net of taxes										
Cash flow hedges					269					269
Available-for-sale financial assets	14				-2,478					-2,478
Translation differences				26			-5,778			-5,752
Total comprehensive income				**26**	**-2,209**		**-5,778**		**19,756**	**11,795**
Transactions with owners										
Dividend payment									-12,199	-12,199
Hybrid instrument, interests									-1,400	-1,400
Share-based incentive plan								674	-414	260
Transfer of reserves				-118					118	0
Total transactions with owners				**-118**				**674**	**-13,895**	**-13,339**
Equity December 31, 2015		**17,692**	**4,351**	**11,929**	**-365**	**20,000**	**-21,844**	**-2,751**	**73,563**	**102,575**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION

Aspo Plc is a Finnish public corporation domiciled in Helsinki. Aspo Plc's shares are listed on Nasdaq Helsinki Ltd.

Aspo is a conglomerate that focuses on sectors requiring extensive specialist knowledge. The Group's operations are organized into independent segments – ESL Shipping, Leipurin, Telko, and Kauko. Other operations include Aspo Group's administration, the financial and ICT service center, and a small number of other operations not covered by the business units.

The Group's parent company is Aspo Plc. The parent company is domiciled in Helsinki and its registered address is Lintulahdenkuja 10, FI-00500 Helsinki, Finland.

A copy of the consolidated financial statements is available in Aspo Plc's head office at Lintulahdenkuja 10, FI-00500 Helsinki, Finland.

Aspo Plc's Board of Directors has approved the consolidated financial statements for issue at its meeting on February 15, 2017. Pursuant to the Finnish Companies Act, shareholders may either adopt or reject the consolidated financial statements at the Annual Shareholders' Meeting held after the issue, or may also decide to modify them.

ACCOUNTING PRINCIPLES

Basis of accounting

Aspo Plc's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved in the EU, applying the standards and interpretations valid on December 31, 2016. The notes to the consolidated financial statements also comply with complementary Finnish Accounting Standards and Company legislation.

All figures in the consolidated financial statements are presented in EUR thousands and are based on the original cost of transactions, unless otherwise stated in the Accounting Principles.

As of January 1, 2016 Aspo Group has applied the following new and amended standards and interpretations which had no material effect on the reported information:

Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative. The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items in the balance sheet and statement of comprehensive income, presenting subtotals and to the structure and accounting policies in the financial statements.

Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations. The amendments require business combination accounting principles to be applied when acquiring interests in a joint operation that constitutes a business.

Annual Improvements to IFRSs (2012–2014 cycle). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. Their impacts vary standard by standard.

Principles of consolidation

The consolidated financial statements include the parent company Aspo Plc and all its subsidiaries. The term "subsidiary" refers to a company in which the Group exercises control. The Group's associated companies include companies in which the Group owns 20%–50% of the voting rights and at least a 20% holding, or in which the Group otherwise holds significant influence. Joint ventures are companies where the Group exercises joint control with other parties on the basis of an agreement. Associated companies and joint ventures are consolidated using the equity method. If the Group's share of losses in an associated company or a joint venture exceeds the carrying amount, losses in excess of the carrying amount will not be consolidated unless the Group undertakes to fulfill the obligations of the associated company or joint venture. Unrealized profits between the Group and associated companies and joint ventures are eliminated in accordance with the Group's ownership. The Group has had no associated companies after the year 2014.

Subsidiaries acquired during the financial year have been consolidated from the time Aspo gained control over them. Divested operations are included up to the time Aspo loses control. Acquired subsidiaries are consolidated using the acquisition method. Consideration and the acquired company's assets and liabilities are measured at fair value at the time of acquisition. Acquisition-related costs are entered as expenses. Any contingent consideration is recognized at fair value upon acquisition and is classified either as a liability or equity. The contingent consideration classified as a liability is measured at fair value at the reporting Date, and the resulting gain or loss is entered in profit or loss. The contingent consideration classified as equity is not remeasured. The cost of goodwill is the amount by which the subsidiary acquisition cost exceeds the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. Acquisitions prior to January 1, 2010 have been recognized in compliance with the regulations valid at the time.

Intra-Group transactions, receivables and liabilities and intra-Group profit distribution have been eliminated when preparing the consolidated financial statements.

Distribution of the financial year's profit between the parent company's shareholders and non-controlling shareholders is presented in the face of the statement of comprehensive income. The potential interest attributable to the non-controlling shareholders is presented as a separate item under the consolidated equity. The Group had no non-controlling shareholders in 2015 and 2016.

In previous years, the Group had a non-controlling shareholder Aspo Management Oy. The company was the managements' holding company and it was established in 2010 to enable significant long-term shareholding within Aspo Plc among participants. Aspo Plc acquired all shares in Aspo Management

Oy through a share swap on November 3, 2014. Before the share swap, Aspo Plc held control over Aspo Management Oy through a shareholder and loan contract on the basis of which the company was included in Aspo's consolidated financial statements also during 2010–2013. Before the share swap, the management's investment in Aspo Management Oy was treated as a non-controlling interest in the consolidated financial statements. Aspo Plc's shares held by Aspo Management Oy were deducted from the consolidated equity. In 2015 Aspo Management Oy was merged with Aspo Plc.

Items denominated in foreign currencies

Transactions denominated in foreign currencies are recorded at the exchange rates at the transaction dates. Receivables and liabilities denominated in foreign currencies and outstanding at the end of the financial year are translated using the exchange rates at the reporting date. The gains and losses arisen from foreign currency denominated transactions and the translation of monetary items are recognized in profit or loss. Foreign exchange gains and losses related to business operations are included in the corresponding items above the operating profit. Foreign exchange gains and losses arisen from loans denominated in foreign currencies are included in financial income and expenses.

Aspo has classified the internal non-current loans within Telko segment to Telko's Belarusian, Ukrainian and Kazakhstani subsidiaries as net investments in foreign operations under IAS 21 standard. Any unrealized foreign exchange gains and losses related to these net investments will be recognized in other comprehensive income.

Subsidiaries abroad

Results and financial position of the Group's units are measured in the primary currency of the unit's economic environment ("functional currency"). The consolidated financial statements are presented in euro, the parent company's functional and presentation currency. In the consolidated financial statements, the income statements of subsidiaries abroad are translated into euro using the average rate of the financial year. Balance sheet items are translated into euro using the exchange rates at the reporting date. Translation differences are presented as a separate item under equity. When an interest in a subsidiary is divested in its entirety or partially such that control is lost, the accumulated translation differences are reclassified to the statement of comprehensive income as part of the sales gain or loss.

Segment reporting

Aspo's operating segments are ESL Shipping, Leipurin, Telko and Kauko. The operating segments are reported in a manner that is uniform with internal reporting to the chief operating decision maker of the company. The Board of Directors has been identified as the chief operating decision maker. It is responsible for the allocation of resources to the operating segments and the assessment of their results. Inter-segment transactions are carried out at market prices.

Tangible assets

Tangible assets are recognized at cost net of cumulative depreciation less possible impairment. For new constructions of vessels, financial expenses arising during construction are capitalized as part of the cost and depreciated over the useful life of the asset item.

Depreciation is calculated on a straight-line basis over the estimated useful life as follows:

- Buildings and structures 15–40 years
- Vessels 17–30 years
- Pushers 18 years
- Dockings 2–3 years
- Machinery and equipment 3–10 years
- Piping 5–20 years
- Refurbishment costs from premises 5–10 years
- Other tangible assets 3–40 years

Land is not depreciated.

A previously recognized impairment loss on tangible assets is reversed if the estimates used in the determination of the recoverable amount change. Carrying amount increased due to the reversal of an impairment loss may not exceed the carrying amount that would have been defined for the asset item if no impairment loss had been recognized in previous years. Gains and losses arising from the removal from use and disposal of tangible assets are included in other operating income and expenses.

Goodwill and other intangible assets

Acquired subsidiaries are consolidated using the acquisition method. Goodwill arising on a business combination is recognized at the acquisition date at an amount representing the excess of the consideration transferred in the acquisition over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but is tested at least annually using the testing based on the value in use (see Goodwill impairment test, Note 12).

No amortization is recognized for intangible assets with indefinite useful lives, but they are tested annually for impairment. The useful lives of the Leipurin and Telko segments' brands are estimated to be indefinite. The strong image and history of the brands support the management's view that the brands will affect cash flow generation over an indefinable period.

Other intangible assets are measured at cost and amortized on a straight-line basis over their useful lives. The amortization periods for other intangible assets are:

- Software and associated licenses 3–5 years
- Principal relationships and technology acquired through business combinations 10 years

The Group assesses the carrying amounts of tangible and intangible assets annually, or more often if there is any indication of potential impairment. If such indication exists, the recoverable amount of the asset in question is determined. Impairment is assessed at the level of cash-generating units.

The recoverable amount is the fair value less costs to sell, or the value in use, if higher. The cash-flow-based value in use is determined by calculating the discounted present value of predicted cash flows. The discount rate of the calculations is based on the average cost of capital (WACC), which reflects the market's view of the time value of money and the risks involved in Aspo's business operations.

An impairment loss is recognized in the statement of comprehensive income if the carrying amount of the asset is higher than its recoverable amount. Where an impairment loss is recognized for an asset item subject to depreciation, the asset item's useful life is re-estimated. An impairment loss recognized for assets other than goodwill is reversed if the estimates used in the determination of the recoverable amount change to a substantial extent. Carrying amount increased due to the reversal of an impairment loss may not exceed the carrying amount that would have been determined for the asset item if no impairment loss had been recognized in previous years. An impairment loss recognized from goodwill is not reversed under any circumstances.

Research and development costs

As a rule, research and development costs are recognized as expenses at the time of their occurrence. Development costs arising from the design of new products are capitalized in the balance sheet as intangible assets from the date when the product is technically and commercially feasible and expected to generate financial benefits in the future. Capitalized development costs will be amortized over their useful life. Other development costs are recognized as expenses upon their realization. Any development costs recognized earlier as expenses will not be capitalized during later periods. There were no capitalized development costs in 2015 and 2016.

Aspo Group's R&D focuses, according to the nature of each segment, on developing operations, procedures and products as part of customer-specific operations, which means that development inputs are included in normal operational costs and are not itemized.

Inventories

Inventories are measured at cost or net realizable value, if lower. The cost is determined using the FIFO (first-in, first-out) principle. The cost of finished goods and work in progress includes raw material purchase costs, direct manufacturing wages, other direct manufacturing costs, and a share of manufacturing overheads (based on normal operating capacity), borrowing costs excluded. Net realizable value is the actual sales price in the ordinary course of business, less the product's costs of completion and sale.

Leasing agreements – Group as lessee

Leasing agreements where the Group assumes an essential part of the risks and benefits inherent in ownership are classified as financial leasing agreements. Assets acquired through financial leasing agreement are recognized in the balance sheet at an amount equaling the fair value of the leased asset at the start of the agreement or at the present value of minimum lease payments, if lower. Lease payments are divided into financial expenses and loan repayment. Corresponding leasing liabilities, less financial expenses, are included in interest-bearing liabilities. The interest of finance is recognized in profit or loss over the leasing period so that the interest rate for the remaining liability is the same for each financial year. Assets leased under financial leasing agreements are depreciated either over their useful lives or over the term of the leasing agreement, if shorter. Financial leasing agreements include leasing agreements of machinery and equipment and IT software.

Leasing agreements in which the material part of risks and benefits inherent in ownership remain with the lessor are classified as operating leases, the leasing payments of which are recognized in profit or loss as expenses over the leasing period.

Employee benefits

Statutory pension cover is provided for by taking out insurance with pension insurance companies. In Aspo's foreign units, the pension cover is arranged in accordance with local legislation and social security regulations. The Group only has defined contribution pension schemes, with any associated payments being entered in the statement of comprehensive income over the financial year to which each specific charge applies to.

Share-based payments

The Group has share-based incentive plans for the management, where part of the reward is settled in shares and the rest in cash. Note 29 shows more information on the share-based arrangements. Assigned shares are measured at fair value at the time of assignment and recognized in the statement of comprehensive income as costs over the validity of the incentive plan. The effects of other than market-based conditions (e.g. profitability and profit growth target) are not included in the fair value but taken into account in the amount of shares to which a right is assumed to be generated by the end of the vesting period. Having recognized a share-based payment expense, the other side of the entry is to equity for the proportion to be settled in shares, and to liabilities for the proportion to be settled in cash. The fair value for the proportion to be settled in cash is remeasured at each reporting date.

Share capital

Ordinary shares are presented as the share capital. Transaction costs directly resulting from the issuance of new shares are recognized, after adjusting their potential tax effects, as a reduction of achieved payments under equity.

When the company purchases treasury shares, the consideration paid for the shares and the acquisition related costs are recognized as a reduction in equity. When the shares are sold, the consideration, less direct transaction costs and the possible effect of income taxes, is recognized in equity.

Provisions

A provision is recognized in the balance sheet if the Group has, as a result of a past event, a present legal or constructive obligation that will probably have to be settled, and the amount of the obligation can be reliably estimated. Warranty provisions include the cost of product repair or replacement if the warranty period is still effective at the reporting date. Warranty and maintenance obligations usually extend over 1–2 years. Warranty provisions are determined on the basis of historical experience.

The amount recognized in provisions is the present value of the costs that are expected to occur when settling the obligation.

Income taxes

The Group's income taxes include taxes based on the Group companies' profits for the financial year, adjustment of taxes from previous financial years and changes in deferred taxes. Income taxes are recognized in accordance with the tax rate valid in each country. Deferred tax assets and liabilities are calculated from the temporary differences between accounting and taxation in accordance with the tax rate in force at the reporting date or at the estimated tax payment date. Elements resulting in temporary differences include provisions, depreciation differences and tax losses. Deferred tax assets are recognized from tax losses and other temporary differences to the extent that it is likely that they may be utilized in the future. The share of profits or losses of associated companies or joint ventures presented in the statement of comprehensive income is calculated from entity's profit or loss, and it includes the impact of taxes.

ESL Shipping Ltd was included in tonnage taxation retrospectively from January 1, 2011. In tonnage taxation, shipping operations shifted from taxation of business profit to tonnage-based taxation.

Revenue recognition principles

Most of the Group's net sales arise from the sales of products. Revenue from the sales of products is recognized in connection with delivery, when the material risks and benefits associated with the ownership of goods have transferred to the buyer according to the pre-defined international contract terms. Apart from ESL Shipping, only a small share of the operating segments' net sales arises from the sale of services, from which revenue is recognized once the services have been rendered. Most other services provided by the segments are considered to be part of the customer service as they relate for example to the development and planning of product concepts and tailored solutions. The revenue from ESL Shipping's services is recognized when the services have been rendered according to the transportation or other service contracts. At the end of the reporting period the revenue from ESL Shipping's uncompleted or in transit services is recognized based on the share of days completed to date of the estimated total length of time for performing the service.

Income and costs from construction contracts built according to individual orders are recognized as revenue and expenses on the basis of the percentage of completion method when the outcome of the project is reliably assessable. The stage of completion is defined as the share of realized planning, production and installation hours accumulated by the time of review from the project's estimated planning, production and installation hours. Costs associated with a project, for which no revenue has been recorded, are recognized in inventories under incomplete construction contracts. When it is likely that the project will generate losses, they will be expensed immediately. Aspo applies the recognition principle of construction contracts to Leipurin's own machine production, which comprises only a small part of the Group's net sales.

Subsidies

Government subsidies granted to compensate for expenses incurred are recognized in the statement of comprehensive income in the periods in which the expenses related to the object of the subsidy are expensed. Subsidies received are presented as net deductions from generated expenses. Subsidies related to the acquisition of tangible assets have been recognized as adjustments to their cost. Subsidies are entered as income during the period of use of the asset item in the form of smaller depreciation.

Financial assets

Aspo classifies the financial assets into loans and other receivables, financial assets available for sale, and financial assets at fair value through profit or loss. The classification takes place in connection with the initial acquisition.

Loans and other receivables are recognized at the settlement date and measured initially at fair value added with any transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method.

Financial assets at fair value through profit or loss include potential derivatives, to which hedge accounting is not applied. They are recognized at fair value at the settlement date and are subsequently remeasured at fair value at the end of each financial year.

Financial assets available for sale include investments in shares. They are measured at fair value, using quoted market prices and rates, or an imputed present value. Changes in the fair value of financial assets available for sale are recognized in other comprehensive income and presented in the fair value reserve in equity, taking the tax impact into account. When such an asset is sold or impaired, the accumulated changes in fair value are reclassified from equity to profit or loss as financial items. Acquisitions or disposals of financial assets available for sale are recognized on the settlement date. If reliable market value is not available, available-for-sale financial assets are recognized at cost.

Financial assets are derecognized when the Group has lost the contractual right to the cash flows, or materially moved risks and rewards away from the Group.

The Group writes down receivables if there is objective evidence that the receivable cannot be collected in full.

Financial liabilities

Group's financial liabilities recognized at fair value through profit or loss include derivatives, to which hedge accounting is not applied. They are recognized at the settlement date and measured at fair value at the end of each financial year.

Other financial liabilities are recognized at the settlement date and measured at amortized cost, less transaction costs. Interest expenses are recognized in the statement of comprehensive income over the contractual term of the loan using the effective interest method. Financial liabilities are classified as current when they fall payable within twelve months of the end of the reporting period.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits and other highly liquid no more than three months' investments. Overdraft facilities in use are presented under current and non-current liabilities.

Derivatives
Derivatives are initially recognized at fair value on the day the Group becomes a contractual counterparty, and are subsequently measured at fair value.

The Group applies hedge accounting to the hedging of predicted foreign currency denominated cash flows arising from the acquisition of tangible assets. The change in the fair value of the effective portion of hedging is recognized in other comprehensive income and presented in the hedging reserve that is included in the fair value reserve under equity. Profits and losses recognized under equity are reclassified to the cost of the asset in question during the financial period when the hedged item is capitalized. Hedge accounting has also been applied in previous financial years to interest rate swaps to hedge the future interest rate cash flows as fixed. The change in the fair value of the effective portion of hedging has been recognized in other comprehensive income and presented in the hedging reserve included in the fair value reserve under equity. Interest rates of the interest rate swap realized during the financial year are recognized in financial items. Hedge accounting is not applied to other derivatives.

When applying hedge accounting, the relation between the hedging instruments and hedged items is documented at the start of hedging, as well as the risk management targets and strategies used as guidelines when launching different hedging actions. At the start of hedging and continuously after this action, the Group prepares an estimate whether the derivatives used in hedging effectively abolish the changes in fair values or cash flows of the hedged objects. The gain or loss relating to an inefficient portion is immediately recognized in the statement of comprehensive income as financial items. When the hedging instrument expires or is sold or when hedging does not meet the criteria of hedge accounting, the accumulated gains and losses retained in equity at that time remain in equity, and are reclassified to the statement of comprehensive income only after the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, the accumulated gain or loss retained under equity is immediately reclassified to the statement of comprehensive income as financial items.

Changes in the fair value of derivatives, to which the hedge accounting is not applied, associated with financial items are recognized in financial income and expenses. Changes in the fair value of other derivatives are recognized in other operating income and expenses.

Fair value of derivatives is determined on the basis of quoted market prices and rates, the discounting of cash flows and option valuation models. The fair value of currency forwards is calculated by discounting the predicted cash flows from the agreements in accordance with interest rates of the currencies sold, translating the discounted cash flows at the exchange rates at the reporting date, and calculating the difference between the discounted values. Fair values of currency options are determined using commonly adopted option valuation models. The fair value of interest rate swaps is calculated by discounting the predicted cash flows from the agreements by using the market prices valid upon valuation.

Fair value hierarchy
Preparing the consolidated financial statements requires the measurement of fair values, for both financial and nonfinancial assets and liabilities. Group classifies the fair value measurement hierarchy as follows:

Level 1: The fair values of financial instruments are based on quoted prices on active markets. A market may be considered active when quoted prices are available on a regular basis and the prices represent the instrument's actual value in liquid trading.

Level 2: The financial instruments are not traded on active and liquid markets. The value of the financial instrument can be determined on the basis of market value and possibly partially on the basis of derived determination of value. If the factors influencing the instrument's fair value are nevertheless available and verifiable, the instrument belongs to level 2.

Level 3: The valuation of the financial instrument is not based on verifiable market information. Nor are other factors that affect the instrument's fair value available or verifiable.

Management judgment and use of estimates
When preparing the consolidated financial statements in accordance with IFRS, the Group management must use judgments including the recognition of transactions, selection and application of relevant IFRS standard or accounting principle, determination of the appropriate financial statement presentation, and estimates and assumptions the recognition of items is based on. This judgment affects the amounts and presentation of assets and liabilities in the balance sheet at the time of preparation, the reporting of contingent assets and liabilities, and the amounts and presentation of income and expenses during the financial year.

Estimates are used, for instance, to determine the carrying amounts of goodwill and brands and their expected yields, the useful lives of tangible and intangible assets, as well as the recoverable amounts of inventories and assets and liabilities. The estimates are based on the information compiled from the business units related to the respective markets and development of the businesses and their impact on the Group's net sales and cost level; the experience of the management; and other justifiable assumptions that constitute the best current assessments of the management. Due to changes in the factors that form the basis for estimates, it is possible that final figures may, sometimes significantly, deviate from the assessments used in the consolidated financial statements.

According to the Group management, goodwill and brand impairment testing and recognition of deferred tax assets involve the most significant estimates and assumptions. Other judgment used includes the selection of accounting principles related to recognition of the income from construction contracts, interest rate swap during the comparative period and leasing agreements. This selection didn't have a material impact on the Group's financial statements.

Goodwill and brand impairment testing

The Group tests the carrying amounts of goodwill and brands annually or more often if there is any indication of potential impairment. Goodwill is allocated to the Group's cash-generating units identified on the basis in which the management monitors goodwill in the internal management reporting. The unit's recoverable amount is calculated on the basis of value-in-use calculations. The cash-flow-based value in use is determined by calculating the discounted present value of predicted cash flows. The cash flows include, among others projections of future sales, profitability and maintenance capital expenditures. The discount rate of the calculations is determined through the weighted average cost of capital (WACC) that depicts the overall costs of equity and liabilities, taking into account the particular risks related to asset items and location of operations. The weighted average cost of capital reflects the Group's average non-current financial structure. Different estimates and assumptions could significantly affect the amounts of goodwill and brands reported in the consolidated financial statements. An impairment loss is immediately recognized in profit or loss if the asset's carrying amount is higher than its recoverable amount. An impairment loss recognized for goodwill is not reversed under any circumstances. Goodwill, brands and their impairment testing are discussed in more detail in Note 12.

Deferred tax assets

At the end of each financial year, the Group estimates if it is sufficiently probable that taxable profit will be available in the future against which the tax losses can be utilized. The estimates are based on management projections on future results. The amount of deferred tax assets in the consolidated financial statements would be impacted if, for example, future taxable income deviated from the management projections or related tax legislation changed.

Adoption of new or amended IFRS standards and interpretations

Aspo Group will adopt the following new and amended standards and interpretations as of 2017 after endorsed for use by the EU:

Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative* (effective for financial years beginning on or after 1 January 2017). The standard requires the companies to present specification of changes in liabilities arising from cash flows (for example withdrawals and repayments of loans) as well as non-cash changes, such as acquisitions, disposals, accrued interests and unrealized translation differences. The amendments have an impact on the notes to the consolidated financial statements.

Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses* (effective for financial years beginning on or after 1 January 2017). In January 2016, the amendments were made to IAS 12 to clarify the recognition of deferred taxes that relate to the assets measured at fair value, and their fair value being lower than the asset's taxation value. The amendments are not expected to have an impact on the consolidated financial statements.

In 2018 or later, Aspo Group will adopt the following new and amended standards and interpretations:

IFRS 15 Revenue from Contracts with Customers and Amendments to IFRS 15 - Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018): IFRS 15 was issued in May 2014. The standard includes a five-step model to recognize revenue from customer contracts. IFRS 15 offers a comprehensive framework to define whether revenue can be recognized and how much can be recognized and when. According to IFRS 15, an entity must recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 supersedes all currently valid guidelines on recognition principles, e.g. IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programs.

The standard will be applied starting from January 1, 2018 by using a fully retrospective approach or modified retrospective approach. Any earlier adoption of the standard is also permitted.

Aspo has taken account of the clarifications to the standard issued by IASB in April 2016, and it is continuously monitoring how interpretations of the standard develop. During the 2016 financial period, Aspo carried out preparations to adopt the standard on January 1, 2018. The company's Audit Committee is dealing with the preparations for the standard's requirements at its meetings, at least until the standard has been adopted.

Aspo's operating segments are ESL Shipping, Leipurin, Telko and Kauko. The operating segments are reported in a manner that is uniform with internal reporting to the chief operating decision-maker of the company. Aspo's revenue streams mainly consist of the following:

- Sales of raw materials in the plastics and chemical industries
- Sales of raw materials and machines in the bakery and other food industry
- Sales of ship transportation services in the energy and metal industries
- Sales of tools and applications for mobile knowledge work and sales of equipment and applications that increase energy efficiency

Current revenue recognition principles and the impact of the new standard on them:

The majority of Aspo's net sales comes from the sale of goods which is recognized in connection with deliveries once significant risks and benefits associated with ownership have been transferred onto the buyer in accordance with the delivery terms. Apart from ESL Shipping, only a small part of the net sales of the operating segments comprises services sold to customers, income from which is recognized once the services have been performed. The majority of other services offered by the segments is regarded as part of customer service because they are related, for example, to the development and design of product concepts and customized solutions. ESL Shipping's income is recognized once its services have been performed. The timing of recognition is based on transportation or other agreements. At the end of the reporting period the revenue from ESL Shipping's uncompleted or in transit services is recognized based on the share of the days completed to date of the estimated total length of time for performing the service.

Aspo Group applies the recognition principle for construction contracts to Leipurin's own machine production, which comprises only a small part of the Group's net sales. The principle has been described in more detail under revenue recognition principles.

According to the new IFRS 15 standard, an entity must recognize revenue once it has satisfied its performance obligation by transferring the promised goods or services to the customer. The Group's sales agreements mainly concern the sale of products to customers, and they include one performance obligation. The transaction price is mainly fixed, while in some cases the consideration may be variable. Revenue is recognized once products have been delivered to the customer at a point of time. On the basis of an analysis conducted by this date, it seems that the adoption of the standard will not have any significant impact on the company's current revenue recognition practices. It may have a minor impact on the timing of recognition or amount through a small number of individual business activities, such as irregular warranty periods, individual variable consideration or terms and conditions resulting from delivery terms. The preliminary estimate may change once the analysis has been specified.

Aspo will continue to analyze its customer agreements, focusing on those that cover the aforementioned areas, in order to define their impact on the financial statements. In addition, the company will continue its preparations to adopt the standard, also in terms of requirements set for notes and other documentation.

IFRS 9 Financial Instruments and amendments made to it (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in the current IAS 39 Financial instruments: Recognition and measurement standard. The new standard revises guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment on financial assets. The classification and measurement of financial liabilities remains similar to the current IAS 39 requirements. The new standard carries forward three hedge accounting classes, and more risk positions apply to the hedge accounting principles which have also been aligned with the risk management. Aspo continues to assess the effect of IFRS 9 on the consolidated financial statements during 2017 but preliminarily expects no material impacts on the consolidated financial statements.

IFRS 16 Leases* (effective for financial years beginning on or after 1 January 2019). IFRS 16 standard was published in January 2016. The standard requires the lessees to recognize almost all lease agreements in the balance sheet as the division into operating leases and financing leases will no longer exist. In accordance with the new standard an asset (or right to use the leased asset) and the corresponding financial liability for the leasing payments will be recognized. There are two exceptions available which relate to either short term contacts or to low value items. The accounting principles regarding lessors remain quite similar to the current standard.

The Group has ordinary leasing agreements related to its business activities, such as office and warehouse, car and transportation vehicle leasing agreements. Part of Group's IT equipment is leased as well. Aspo will start a research and implementation project related to the standard during 2017. According to the Group's current view, the standard will have a significant impact on the consolidated financial statements, including the notes.

Amendments to IFRS 2 Share-based payments – Clarification and Measurement of Sharebased Payment Transactions* (effective for financial years beginning on or after 1 January 2018). The amendments clarify the classification and measurement for certain types of arrangements. The amendments are not expected to have material impact on the consolidated financial statements.

IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration* (effective for financial years beginning on or after 1 January 2018). The interpretation clarifies that the transaction date for the foreign currency consideration paid or received in advance regarding an asset, an expense or income is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each of them gives rise to a separate transaction date. The interpretation is in accordance with Aspo's current accounting principles.

*Not yet endorsed for use by the EU.

1. Net Sales and Segment Information

Aspo's operating segments are ESL Shipping, Leipurin, Telko, and Kauko.

ESL Shipping handles sea transportation of energy sector and industrial raw materials, and offers related services.

Leipurin serves the bakery and other food industry as well as Out-of-Home eating market by providing raw materials, production machinery, production lines including design and maintenance as well as baking related expertise.

Telko acquires and supplies plastic raw materials and chemicals to industry. Its extensive customer service also covers technical support and the development of production processes.

Kauko is the expert in demanding working environments, mobile knowledge work, energy efficiency and professional electronics.

Other operations include Aspo Group's administration, the financial and ICT service center, and a small number of other operations not covered by business units.

The segment structure corresponds with the Group's organizational structure and internal reporting, where measurement principles of assets and liabilities are in accordance with IFRS. The assessment of each segment's profitability is based on the segment's operating profit and net sales to external customers. The Board of Directors is responsible for assessing the segments and making resourcing decisions.

The segment's assets and liabilities are items that the segment uses in its business operations or that can be reasonably allocated to the segment. Items not allocated to segments consist of items associated with income taxes and centralized financing in statement of comprehensive income and balance sheet. Investments consist of increases in tangible assets and intangible assets that will be used in more than one financial year. Pricing between segments is based on fair market prices. There is no considerable inter-segment net sales.

NET SALES

1,000 EUR	2016	2015
Sale of goods	**378,847**	362,695
Sales of services	**75,073**	78,748
Construction contract revenue	**3,484**	4,385
Total	**457,404**	445,828
Revenue recognized by reference to the stage of completion from open construction contracts	**1,221**	2,391

The Group monitors its net sales in accordance with the following geographical division: Finland, Scandinavia, the Baltic countries, Russia, Ukraine and other CIS countries, and other countries. Net sales of the geographical regions is presented as per customer location and their assets as per location.

GEOGRAPHICAL AREAS

	Net sales		Non-current assets*	
1,000 EUR	**2016**	**2015**	**2016**	**2015**
Finland	**149,395**	147,729	**153,249**	159,639
Scandinavia	**47,528**	51,753	**8**	13
Baltic countries	**50,370**	50,391	**405**	466
Russia, Ukraine + other CIS countries	**145,614**	128,347	**1,594**	988
Other countries	**64,497**	67,608	**11,756**	9,294
Total	**457,404**	445,828	**167,012**	170,400

*Non-current assets other than financial assets and assets related to taxes.

OPERATING SEGMENTS 2016

1,000 EUR	ESL Shipping	Leipurin	Telko	Kauko	Unallocated items	Group total
Sales to external customers	71,407	112,719	240,334	32,944		457,404
Inter-segment sales			5	48		
Net sales	71,407	112,719	240,339	32,992		457,404
Operating profit	12,643	2,001	10,103	-140	-4,216	20,391
Net financial expenses						-3,045
Profit before taxes						17,346
Income taxes						-1,492
Profit for the period						**15,854**
Depreciation on tangible assets	8,347	337	696	106	15	9,501
Amortization on intangible assets	55	868	783	396	20	2,122
Segment's assets	121,097	62,771	78,115	20,005	27,748	**309,736**
Segment's liabilities	9,167	14,287	32,031	5,391	134,333	**195,209**
Investments	5,042	253	1,379	16	187	**6,877**

2015

1,000 EUR	ESL Shipping	Leipurin	Telko	Kauko	Unallocated items	Group total
Sales to external customers	76,214	117,792	215,272	36,550		445,828
Inter-segment sales		1	29	86		
Net sales	76,214	117,793	215,301	36,636		445,828
Operating profit	14,674	2,422	10,445	-1,192	-5,710	20,639
Net financial expenses						623
Profit before taxes						21,262
Income taxes						-1,506
Profit for the period						**19,756**
Depreciation on tangible assets	7,865	335	660	92	24	8,976
Amortization on intangible assets	57	833	824	398	20	2,132
Segment's assets	123,751	61,761	65,720	26,760	26,812	**304,804**
Segment's liabilities	11,023	14,863	27,081	12,606	136,656	**202,229**
Investments	13,192	493	985	116	276	**15,062**

2. Divested and Acquired Businesses

BUSINESS TRANSACTIONS IN 2016 AND 2015

No businesses were divested in financial year 2016.

In February 2015, Kauko Ltd sold its Industrial business line specializing in machine and equipment sales for paper, process and energy industries to NiJuPe Oy, in which the previous management of the divested business owns a significant share. At the time of the transaction, the Industrial business had operations in Finland, China, Vietnam, Russia, Poland, Latvia and Kazakhstan.

The annual net sales of the divested business was approximately EUR 4 million, of which commission income made up a significant part. Through the transaction, 23 employees were transferred to the buyer's employment. The transaction also involved the transfer of subsidiaries Kaukomarkkinat Shanghai Ltd and OOO Kauko Rus to the buyer. Of the international operations of Kauko, project operations in Beijing and a joint venture in Kunshan, China, were excluded from the scope of the transaction.

In connection with the transaction, Aspo assessed the goodwill of the Kauko segment and reduced it by EUR 1.3 million.

No new businesses were acquired in financial years 2016 and 2015.

CONTINGENT CONSIDERATIONS FROM PREVIOUS FINANCIAL YEARS

On December 7, 2011, Leipurin Ltd acquired the entire stock of Vulganus Oy at a price of EUR 4.9 million. The transaction price was increased by contingent consideration in accordance with the sales margin accumulated during 2012–2014. At the time of acquisition, the compensation was estimated to be EUR 1.5 million. The actual contingent consideration for 2012–2014 totaled EUR 0.9 million.

CONTINGENT CONSIDERATION FROM VULGANUS OY'S ACQUISITION

1,000 EUR	2016	2015
Contingent consideration, January 1		298
Payment of the contingent consideration		-282
Fair value adjustment		-16
Contingent consideration, December 31		0

Changes in the fair value of the contingent consideration result from the related payments being lower than expected. The changes have been recognized as other operating income.

3. Other Operating Income

1,000 EUR	2016	2015
Gains on sale of tangible assets	**87**	34
Insurance compensations		501
Rents and related remunerations	**633**	88
Change in fair value of contingent consideration		16
Gains on sale of business operations and subsidiaries		16
Transition period services to international operations sold		158
Leasing agreement related compensation	**117**	157
Other income	**387**	252
Total	**1,224**	1,222

4. Employee Benefits and Personnel Information

At the end of the financial year, the number of employees of Aspo Group was 895 (857), while the average during the financial year was 871 (862). The average number of office staff was 596 (598) and that of non-office workers 275 (264).

EMPLOYEE BENEFIT EXPENSES

1,000 EUR	2016	2015
Wages and salaries	**32,068**	33,271
Pension expenses, defined contribution plans	**5,289**	4,263
Share-based payments	**524**	671
Other employee benefit expenses	**2,082**	2,785
Total*	**39,963**	40,990
*Expenses are decreased by the government subsidy for merchant vessels from the Ministry of Transport and Communications, according to which ESL Shipping receives withholding taxes and social security expenses related to seafarers' pays as refunds	**5,158**	4,534

Information regarding the employee benefits of key management personnel is presented in the Related parties section.

PERSONNEL BY SEGMENT AT YEAR-END

	2016	2015
ESL Shipping	**226**	223
Leipurin	**322**	299
Telko	**280**	265
Kauko	**42**	46
Other operations	**25**	24
Total	**895**	857

AVERAGE PERSONNEL BY SEGMENT DURING THE FINANCIAL YEAR

	2016	2015
ESL Shipping	**225**	226
Leipurin	**314**	292
Telko	**267**	264
Kauko	**42**	52
Other operations	**23**	28
Total	**871**	862

PERSONNEL BY GEOGRAPHICAL AREA AT YEAR-END

	2016	2015
Finland	**415**	418
Scandinavia	**19**	20
Baltic countries	**73**	72
Russia, Ukraine + other CIS countries	**338**	302
Other countries	**50**	45
Total	**895**	857

5. Depreciation, Amortization and Impairment Losses

1,000 EUR	2016	2015
Depreciation and amortization		
Intangible assets	**2,122**	2,132
Buildings	**325**	235
Vessels	**8,339**	7,861
Machinery and equipment	**808**	850
Other tangible assets	**29**	30
Total	**11,623**	11,108
Impairment losses		
Goodwill		1,347
Total depreciation, amortization and impairment losses	**11,623**	12,455

6. Materials and Services

1,000 EUR	2016	2015
Purchases during the period		
ESL Shipping	**9,597**	12,519
Leipurin	**86,899**	92,604
Telko	**209,434**	179,612
Kauko	**28,707**	29,530
Total	**334,637**	314,265
Change in inventories	**-6,453**	-3,784
Outsourced services		
Leipurin	**2,965**	3,174
Telko	**3,198**	4,118
Kauko	**405**	461
Total	**6,568**	7,753
Total materials and services	**334,752**	318,234

7. Other Operating Expenses

1,000 EUR	2016	2015
Rents	**7,404**	7,424
ESL Shipping	**26,989**	27,968
Leipurin	**6,777**	6,879
Telko	**6,471**	7,174
Kauko	**2,184**	2,193
Other operations	**2,074**	3,094
Total	**51,899**	54,732

AUDITORS' FEES

1,000 EUR	2016	2015
Auditing	**290**	295
Tax advice	**60**	69
Other services	**80**	135
Total	**430**	499

8. Financial Income and Expenses

The items above operating profit include EUR -0.6 million (-0.7) in exchange rate differences for 2016. Interest expenses include EUR 0.1 million (0.1) in contingent rents recognized as costs arisen from finance leasing agreements during the financial year.

1,000 EUR	2016	2015
Dividend income from available-for-sale financial assets	**1**	1
Interest income from loans and other receivables	**723**	182
Foreign exchange gains	**321**	732
Gains on sale of available-for-sale financial assets		4,912
Total financial income	**1,045**	5,827
Interest expenses	**-3,164**	-4,389
Foreign exchange losses	**-926**	-815
Total financial expenses	**-4,090**	-5,204
Total financial income and expenses	**-3,045**	623

9. Income Taxes

TAXES IN THE STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	2016	2015
Taxes for the period	**-1,980**	-2,320
Change in deferred tax assets and liabilities	**475**	777
Taxes from previous financial years	**13**	37
Total	**-1,492**	-1,506

RECONCILIATION OF THE TAX EXPENSE IN THE STATEMENT OF COMPREHENSIVE INCOME AND TAXES CALCULATED USING THE GROUP´S PARENT COMPANY´S TAX RATE 20%

1,000 EUR	2016	2015
Profit before taxes	**17,346**	21,262
Taxes calculated using the parent company's tax rate	**-3,469**	-4,252
Impact of foreign subsidiaries' tax rates	**308**	297
Impact of tonnage taxation	**2,964**	3,317
Losses for which no deferred tax asset was recognized	**-1,163**	-1,388
Utilization of previously unrecognized tax losses	**6**	96
Taxes from previous financial years	**13**	37
Withholding taxes	**-124**	-25
Timing differences, tax-free and non-deductible items	**-27**	412
Taxes in the statement of comprehensive income	**-1,492**	-1,506
Effective tax rate	**9%**	7%

INCOME TAX ON OTHER COMPREHENSIVE INCOME

1,000 EUR	2016	2015
Cash flow hedges	**-102**	-39
Available-for-sale financial assets		620
Total	**-102**	581

10. Earnings per Share

Earnings per share is calculated by dividing the profit or loss attributable to the parent company's shareholders by the weighted average number of outstanding shares during the financial year. When calculating the earnings per share, interest and price premium cost of the hybrid bond, adjusted for tax effect, has been considered as a profit-reducing item. When calculating the diluted earnings per share in previous years, the average number of shares was adjusted with the dilutive effect of the equity-based convertible capital loan and the shareholding plan for Aspo Management Oy. At the end of 2015 and 2016, there were no diluting components.

1,000 EUR	2016	2015
Undiluted		
Profit for the period attributable to parent company shareholders	**15,854**	19,756
Interest of the hybrid bond (adjusted by tax effect)	**-819**	-1,120
Average number of shares during period (1,000)	**30,564**	30,479
Earnings per share, EUR	**0.49**	0.61
Diluted		
Diluted earnings per share, EUR	**0.49**	0.61

11. Intangible Assets

Intangible rights mainly consist of corporate brands described in Note 12. Intangible assets also include software and associated licenses, as well as principal relationships and new technology acquired in business combinations.

2016 **1,000 EUR**	**Intangible rights**	**Other intangible assets**	**Advance payments of intangible assets**	**Total**
Acquisition cost, Jan. 1	10,049	16,326	547	26,922
Translation differences	-4	-49		-53
Increases	27	490	6	523
Decreases	-729	-10	-13	-752
Transfers between classes		534	-534	0
Acquisition cost, Dec. 31	**9,343**	**17,291**	**6**	**26,640**
Accumulated amortization, Jan. 1	-4,323	-11,546		-15,869
Translation differences	4	46		50
Accumulated amortization of decreases	727	10		737
Amortization for the period	-94	-2,028		-2,122
Accumulated amortization, Dec. 31	**-3,686**	**-13,518**		**-17,204**
Carrying amount, Dec. 31	**5,657**	**3,773**	**6**	**9,436**

2015

1,000 EUR	Intangible rights	Other intangible assets	Advance payments of intangible assets	Total
Acquisition cost, Jan. 1	10,012	18,850	114	28,976
Translation differences	-2	5		3
Increases	182	374	433	989
Decreases	-101	-2,815		-2,916
Transfers between classes	-42	-88		-130
Acquisition cost, Dec. 31	**10,049**	**16,326**	**547**	**26,922**
Accumulated amortization, Jan. 1	-4,322	-12,371		-16,693
Translation differences		-4		-4
Accumulated amortization of decreases	101	2,810		2,911
Accumulated depreciation of transfers	-3	52		49
Amortization for the period	-99	-2,033		-2,132
Accumulated amortization, Dec. 31	**-4,323**	**-11,546**		**-15,869**
Carrying amount, Dec. 31	**5,726**	**4,780**	**547**	**11,053**

INTANGIBLE ASSETS LEASED UNDER FINANCIAL LEASES ARE INCLUDED IN INTANGIBLE ASSETS AS FOLLOWS

Other intangible assets

1,000 EUR	2016	2015
Acquisition cost, Jan. 1	**3,610**	6,038
Increases	**480**	374
Transfers between classes	**534**	
Decreases	**-10**	-2,802
Acquisition cost, Dec. 31	**4,614**	3,610
Accumulated amortization, Jan. 1	**-1,731**	-3,804
Accumulated amortization of decreases	**10**	2,802
Amortization for the period	**-806**	-729
Accumulated amortization, Dec. 31	**-2,527**	-1,731
Carrying amount, Dec. 31	**2,087**	1,879

12. Goodwill

Goodwill is allocated to the Group's cash-generating units by business unit, depending on the level of goodwill monitoring in internal reporting. Every unit represents each of Aspo's operating segments. Goodwill is allocated to the segments as follows: ESL Shipping EUR 0.8 million (0.8), Leipurin EUR 27.3 million (27.3), Telko EUR 5.0 million (5.1), and Kauko EUR 9.5 million (9.5).

The useful lives of brands included in Leipurin and Telko segments have been estimated to be indefinite. The strong image and history of these brands support the management's view that these brands will affect cash flow generation over an indefinable period. The brands have been tested for impairment. According to test results, there is no need for impairment.

IMPAIRMENT TESTING

Future cash flows in impairment calculations have been defined on the basis of value in use. Cash flow estimates are based on three-year financial plans approved by the Board of Directors. In testing, cash flow estimates are prepared for five years, after which the cash flow is assumed to grow steadily. The terminal value has been calculated by using a growth assumption of 1% (1). The recoverable amount indicated by the tests clearly exceeds the carrying amount of goodwill in each segment. The share of the terminal value varied from 54% to 61% of the recoverable amount and was highest in the Leipurin segment. The goodwills of ESL Shipping and other operations are not significant compared to the recoverable amount. The impairment tests indicate that no impairment has occurred.

When estimating net sales, the assumption is that current operations can be maintained, and net sales will grow in a controlled manner at the rate estimated in financial plans. The sales margin is estimated to follow net sales growth. It is estimated that costs will increase slowly as a result of continuous cost management. Fixed costs are expected to grow as much as the rate of inflation at the most.

The discount rate is determined for each segment through the weighted average cost of capital (WACC) that depicts the overall costs of equity and liabilities, taking into account the particular risks related to the asset items and location of operations. The post-tax discount rate (WACC) used in the calculations was 9.8–15.0%.

FACTORS INFLUENCING IMPAIRMENT TESTING AND SENSITIVITY ANALYSIS

Slow economic growth, changes in exchange rates and heavy fluctuation in the operating environment make it more difficult to evaluate the assumptions used in impairment testing. The management believes the assumptions to be appropriate and that tested operations have a sustainable basis. There are no indications of impairment in the business operations' goodwill but the result of future impairment testing depends on the realization of estimated future cash flows. A substantial negative change in future cash flows, a significant increase in interest rates or a high tying-up rate of

GOODWILL

1,000 EUR	2016	2015
Acquisition cost, Jan. 1	**44,041**	44,412
Decreases		-400
Translation differences	**-51**	29
Acquisition cost, Dec. 31	**43,990**	44,041
Accumulated impairment losses, Jan. 1	**-1,347**	
Impairment loss in connection with the sale of business operations		-1,347
Accumulated impairment losses, Dec. 31	**-1,347**	-1,347
Carrying amount, Dec. 31	**42,643**	42,694

ALLOCATION OF GOODWILL

1,000 EUR	2016	2015
ESL Shipping	**790**	790
Leipurin	**27,281**	27,281
Telko	**5,032**	5,083
Kauko	**9,504**	9,504
Other operations	**36**	36
Total	**42,643**	42,694

BRANDS

1,000 EUR	2016	2015
Leipurin	**3,148**	3,148
Telko	**2,155**	2,155
Total	**5,303**	5,303

capital may result in an impairment loss of goodwill. It is the management's view that the estimates of future cash flows and the tying-up rate of capital used in the testing are likely.

Each segment has undergone a sensitivity analysis in which the values used as basic assumptions in the testing were lowered one at a time other factors remaining the same. As a result of this, the value of segment´s future cash flows has decreased and the recoverable amount is lower. The changes and their effects were:

- WACC was raised by 20%, effect 18% (19–21).
- operating profit was cut down by 10%, effect 6–12% (9–13).

The sensitivity analysis shows that there is no need for impairment.

13. Tangible Assets

2016

1,000 EUR	**Land**	**Buildings**	**Machinery and equipment**	**Vessels**	**Other tangible assets**	**Work in progress and advance payments**	**Total**
Acquisition cost, Jan. 1	54	5,500	8,120	238,676	721	9,396	262,467
Translation differences			280			89	369
Increases			941	3,713	1	1,641	6,296
Decreases			-238			-17	-255
Transfers between classes			63		7	-70	0
Acquisition cost, Dec. 31	**54**	**5,500**	**9,166**	**242,389**	**729**	**11,039**	**268,877**
Accumulated depreciation, Jan. 1		-2,431	-5,754	-137,615	-260		-146,060
Translation differences			-159				-159
Accumulated depreciation of decreases			163				163
Depreciation for the period		-325	-808	-8,339	-29		-9,501
Accumulated depreciation, Dec. 31		**-2,756**	**-6,558**	**-145,954**	**-289**		**-155,557**
Carrying amount, Dec. 31	**54**	**2,744**	**2,608**	**96,435**	**440**	**11,039**	**113,320**

Tangible assets include advance payments for ESL Shipping's upcoming LNG-fueled vessels. The EU supports energy-efficiency and environmental investments in ships. ESL Shipping receives subsidy of at most EUR 5.9 million in 2016–2019, of which EUR 2.1 million was paid in 2016. This reduces the advance payments related to the vessel purchase. To obtain the subsidy, it is required that the activities listed in the agreement are carried out and that the arising costs are documented in an approved manner.

2015

1,000 EUR	Land	Buildings	Machinery and equipment	Vessels	Other tangible assets	Work in progress and advance payments	Total
Acquisition cost, Jan. 1	54	5,372	9,268	234,790	791	79	250,354
Translation differences			-274			-5	-279
Increases		133	700	3,841		9,402	14,076
Decreases		-90	-1,654		-70		-1,814
Transfers between classes		85	80	45		-80	130
Acquisition cost, Dec. 31	**54**	**5,500**	**8,120**	**238,676**	**721**	**9,396**	**262,467**
Accumulated depreciation, Jan. 1		-2,237	-6,665	-129,754	-300		-138,956
Translation differences			181				181
Accumulated depreciation of decreases		90	1,580		70		1,740
Accumulated depreciation of transfers		-49					-49
Depreciation for the period		-235	-850	-7,861	-30		-8,976
Accumulated depreciation, Dec. 31		**-2,431**	**-5,754**	**-137,615**	**-260**		**-146,060**
Carrying amount, Dec. 31	**54**	**3,069**	**2,366**	**101,061**	**461**	**9,396**	**116,407**

TANGIBLE ASSETS LEASED UNDER FINANCIAL LEASES ARE INCLUDED IN TANGIBLE ASSETS AS FOLLOWS

Machinery and equipment

1,000 EUR	2016	2015
Acquisition cost, Jan. 1	**439**	1,493
Increases	**2**	5
Decreases		-1,059
Acquisition cost, Dec. 31	**441**	439
Accumulated depreciation, Jan. 1	**-244**	-1,193
Accumulated depreciation of decreases		1,059
Depreciation for the period	**-89**	-110
Accumulated depreciation, Dec. 31	**-333**	-244
Carrying amount, Dec. 31	**108**	195

14. Financial Assets Available for Sale

Through the change in the corporate form of Försäkringsaktiebolaget Alandia insurance company in 2014, ESL Shipping Oy obtained 6,775 new company's shares on the basis of insurance premiums. The shares were sold in 2015. The capital gain was included in financial items in the statement of comprehensive income.

Other available-for-sale financial assets are unlisted shares. Because their fair value cannot be reliably determined, they have been recognized at their acquisition cost less possible impairments.

2016

1,000 EUR	Unlisted shares
Acquisition cost, Jan. 1	172
Acquisition cost, Dec. 31	**172**
Carrying amount, Dec. 31	**172**

2015

1,000 EUR	Unlisted shares
Acquisition cost, Jan. 1	3,259
Increases	10
Decreases*	-3,097
Acquisition cost, Dec. 31	**172**
Carrying amount, Dec. 31	**172**

*Alandia

15. Non-current Receivables

1,000 EUR	2016	2015
Derivative contracts	**1,248**	74
Loan receivables	**193**	
Total	**1,441**	74

16. Joint Ventures

Kauko Ltd has a 50% interest in the joint venture Roll Systems Oy. The unlisted Roll Systems Oy's registered office is in Valkeakoski, Finland. The company had no net sales for the financial year and the result was EUR 0.0 million. The company's assets were EUR 0.0 million and liabilities EUR 0.7 million. Due to the loss produced by the company and its subsidiary, the consolidated financial statements do not include any share of the joint venture's loss.

17. Deferred Taxes

Deferred tax liability on the transition to tonnage taxation is relieved through annual state subsidies during the validity of the Tonnage Tax Act if the preconditions for such relief are met. The amount of tax relief was EUR 0.6 million in 2016, and EUR 3.5 million in 2011–2015.

The balance sheet includes deferred tax assets of EUR 2.9 million (3.1) from Finnish companies with a negative result for the financial years 2011, 2012 or 2013. These deferred tax assets are recognized on the basis of the management's profit forecast indicating that the realization of the deferred tax assets in question is probable. No deferred tax assets were recognized on the taxable losses of EUR 13.0 million incurred by Finnish companies in 2014–2016. The utilization period of these taxable losses is 10 years.

The Group had EUR 3.4 million (4.3) in unused taxable losses in subsidiaries abroad, on which no deferred tax assets have been recognized because the Group is unlikely to accumulate taxable income against which the losses could be utilized before these losses expire. The loss expiry period varies from one country to another. Some losses expire in 2017, while some losses do not have any expiry period set out within the scope of the current legislation. A deferred tax liability of EUR 1.4 million (0.9) has not been recognized from the retained earnings of subsidiaries abroad because they are permanently invested in the countries in question.

DEFERRED TAX ASSETS

1,000 EUR	2016	2015
Derivatives	**125**	151
Employee benefits	**11**	35
Losses available for utilization against future taxable income	**3,025**	3,273
Other temporary differences	**271**	338
Total	**3,432**	3,797

DEFERRED TAX LIABILITIES

1,000 EUR	2016	2015
Depreciation in excess of plan	**232**	216
Deferred tax liability due to tonnage taxation	**2,470**	3,088
Tangible and intangible assets	**1,396**	1,641
Derivatives	**85**	
Other temporary differences	**60**	33
Total	**4,243**	4,978

CHANGES IN DEFERRED TAX ASSETS

1,000 EUR	2016	2015
Deferred tax assets, Jan. 1	**3,797**	3,960
Items recognized in the statement of comprehensive income		
Unutilized tax losses	**-248**	-82
Employee benefits	**-24**	-48
Other temporary differences	**-58**	-25
Items recognized in other comprehensive income	**-35**	-8
Deferred tax assets, Dec. 31	**3,432**	3,797

CHANGES IN DEFERRED TAX LIABILITIES

1,000 EUR	2016	2015
Deferred tax liabilities, Jan. 1	**4,978**	6,435
Items recognized in the statement of comprehensive income		
Depreciation in excess of plan	**16**	17
Deferred tax liability due to tonnage taxation	**-618**	-618
Tangible and intangible assets	**-245**	-259
Other temporary differences	**45**	23
Items recognized in other comprehensive income	**67**	-620
Deferred tax liabilities, Dec. 31	**4,243**	4,978

18. Inventories

An expense of EUR 0.3 million (0.6) was recognized during the financial year for a write-down of inventories to net realizable value.

1,000 EUR	2016	2015
Materials and supplies	**1,272**	928
Finished goods	**53,478**	45,575
Other inventories	**1,958**	1,939
Total	**56,708**	48,442

19. Accounts Receivable and Other Receivables

Accounts receivable do not involve significant credit loss risks. A total of EUR 0.4 million (0.6) was recognized as impairment loss from accounts receivable.

1,000 EUR	2016	2015
Accounts receivable	**48,079**	47,163
Accounts receivable on construction contracts*	**887**	263
Refund from the Ministry of Transport and Communications	**2,615**	2,421
Advance payments	**2,651**	3,406
VAT receivable	**983**	545
Derivative contracts	**443**	9
Loan receivables	**34**	
Other deferred receivables	**4,061**	4,160
Total	**59,753**	57,967

***Aggregated items related to construction contracts:**		
Accrued income according to the stage of completion	**1,221**	2,391
Advances received related to construction contracts	**-334**	-2,128
Accounts receivable on construction contracts	**887**	263

20. Cash and Cash Equivalents

1,000 EUR	2016	2015
Bank accounts and deposits	**22,627**	23,888

21. Equity

On December 31, 2016, Aspo Plc's number of shares was 30,975,524 and the share capital was EUR 17.7 million.

On May 27, 2016, Aspo issued a EUR 25 million hybrid bond. The coupon rate of the bond is 6.75% per annum. The bond has no maturity but the company may exercise an early redemption option after four years from the issuing date. An interest payment obligation is set up if the Annual Shareholders' Meeting decides to distribute dividends. If no dividend is distributed, the company can decide upon the payment of interest separately. A hybrid bond is an instrument which is subordinated to the company's other debt obligations. In the consolidated financial statements, the loan has been classified as equity, and interest paid is presented in equity according to its nature. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the shareholders. In the financial year, Aspo redeemed the EUR 20 million hybrid bond issued in November 2013.

Equity consists of the share capital, share premium, fair value reserve, translation differences, invested unrestricted equity reserve, other reserves, and retained earnings. Share subscriptions based on the convertible capital loan that were issued during the validity of the old Companies Act (29.9.1978/734) were recognized in the share premium. The invested unrestricted equity reserve includes other equity-type investments and share subscription price to the extent that it is not recognized in the share capital in accordance with a separate resolution. The fair value reserve includes accumulated changes in the fair value of derivative instruments under hedge accounting and the recognition of available-for-sale financial assets at fair value. Other reserves includes hybrid instruments.

DIVIDENDS

After the reporting date, the Board of Directors has proposed that a dividend of EUR 0.42 per share be distributed for 2016, and that the dividend be paid in two installments, in April and in November. A dividend of EUR 0.41 was distributed for 2015.

EQUITY 2016

1,000 EUR	in 1,000s	Share capital	Share premium	Invested unrestricted equity reserve	Hybrid instrument	Treasury shares	Total
January 1, 2016	30,496	17,692	4,351	11,929	20,000	-2,751	51,221
Share-based incentive plan	84					410	410
Hybrid instrument, issue					25,000		25,000
Hybrid instrument, repayment					-20,000		-20,000
Transfer from the reserve				125			125
December 31, 2016	**30,579**	**17,692**	**4,351**	**12,054**	**25,000**	**-2,341**	**56,756**
Treasury shares held by the Group	396						
Total number of shares	**30,976**						

Shares have no nominal value.

EQUITY 2015

1,000 EUR	in 1,000s	Share capital	Share premium	Invested unrestricted equity reserve	Hybrid instrument	Treasury shares	Total
January 1, 2015	30,402	17,692	4,351	12,021	20,000	-3,425	50,639
Share-based incentive plan	94					674	674
Translation differences				26			26
Transfer from the reserve				-118			-118
December 31, 2015	**30,496**	**17,692**	**4,351**	**11,929**	**20,000**	**-2,751**	**51,221**
Treasury shares held by the Group	480						
Total number of shares	**30,976**						

FAIR VALUE RESERVE

1,000 EUR	2016	2015
Cash flow hedges	**936**	-365

22. Loans

In 2015, Aspo Plc issued a EUR 11 million unsecured private placement bond. The bond pays fixed interest rate and matures on September 29, 2022.

NON-CURRENT LOANS AND OVERDRAFT FACILITIES

1,000 EUR	2016	2015
Loans	**94,056**	91,699
Pension loans	**7,143**	8,571
Bond	**10,922**	10,911
Financial leasing liabilities	**1,442**	1,555
Overdraft facilities in use	**3,077**	2,850
Total	**116,640**	115,586

CURRENT LOANS AND OVERDRAFT FACILITIES

1,000 EUR	2016	2015
Loans	**4,642**	7,642
Pension loans	**1,429**	1,429
Financial leasing liabilities	**806**	834
Overdraft facilities in use	**1,917**	2,416
Total	**8,794**	12,321

MATURING OF FINANCIAL LEASING LIABILITIES

1,000 EUR	2016	2015
Financial leasing liabilities – total amount of minimum lease payments		
Within one year	**838**	879
After one year and within five years	**1,477**	1,595
Total	**2,315**	2,474
Financial leasing liabilities – present value of minimum lease payments		
Within one year	**806**	834
After one year and within five years	**1,442**	1,555
Total	**2,248**	2,389
Future financial expenses	**67**	85

23. Accounts Payable and Other Liabilities

OTHER NON-CURRENT LIABILITIES

1,000 EUR	2016	2015
Derivative contracts	**368**	510

ACCOUNTS PAYABLE AND OTHER LIABILITIES

1,000 EUR	2016	2015
Accounts payable	**39,209**	40,155
Advances received, construction contracts	**377**	301
Advances received, others	**3,267**	1,030
Salaries and social security contributions	**6,328**	6,097
Employer contributions	**1,585**	1,357
Accrued interest	**2,150**	2,202
Derivative contracts	**258**	235
VAT liability	**4,366**	3,900
Share-based incentive plan	**190**	580
Other current deferred liabilities	**6,390**	11,916
Total	**64,120**	67,773

24. Pension Obligations

The Group has provided for statutory pension cover by taking out insurance with pension insurance companies. In foreign units, the pension cover is arranged in accordance with local legislation and social security regulations. The Group's pension schemes are treated as defined contribution plans in the consolidated financial statements.

PENSION EXPENSES IN THE STATEMENT OF COMPREHENSIVE INCOME

1,000 EUR	2016	2015
Defined contribution plans	**5,289**	4,264

25. Provisions

The recognized provisions are based on best estimates on the reporting date. Warranty provisions are mainly associated with the Group's product warranties, rental provisions to onerous sublease contracts of office premises, and pension provisions to direct pension liabilities granted by the Group. Tax provisions were based on any increased expenses arising from ongoing tax inquires.

1,000 EUR	Warranties and maintenance services	Rental agreements	Pension commitments	Tax charges	Total
December 31, 2015	290	216	14	0	520
Increase in provisions				21	21
Decrease in provisions	-24		-9		-33
December 31, 2016	**266**	**216**	**5**	**21**	**508**

26. Financial Risks and Financial Risk Management

26.1 FINANCIAL RISK MANAGEMENT PRINCIPLES AND ORGANIZATION

The function of Aspo Group's financial risk management is to protect the operating margin and cash flows, and effectively manage fund-raising and liquidity. The Group aims to develop the predictability of the results, future cash flows, and capital structure, and continuously adapt its operations to changes in the operating environment.

Financial risk management is based on the treasury policy approved by the Board of Directors, which defines the main principles for financial risk management in Aspo Group. The treasury policy defines general risk management objectives, the relationship between the Group's parent company and business units, the division of responsibility, and risk management-related reporting requirements.

The treasury policy also defines the operating principles related to the management of currency risks, interest rate risks, and liquidity and refinancing risks.

Together with the Group Treasurer, Aspo's CEO is responsible for the implementation of financial risk management in accordance with the treasury policy approved by the Board of Directors. The business units are responsible for recognizing their own financial risks and managing them together with the parent company in accordance with the Group's treasury policy and more detailed instructions provided by the parent company.

26.2 MARKET RISKS

Currency risk

Aspo Group has companies and affiliates in 16 countries, and the operations take place in 11 different currencies. The Group's currency risk consists of foreign currency-denominated internal and external receivables, liabilities, estimated currency flows, derivative contracts and translation risks related to results and capital. The target of Aspo Group is to decrease the uncertainty related to fluctuations in results, cash flows and balance sheet items.

At the business unit level, currency risk mainly occurs when a unit sells products and services with its domestic currency but the costs are realized in a foreign currency.

INTEREST-BEARING LIABILITIES BY CURRENCY

1,000 EUR	2016	2015
EUR	**120,441**	123,676
USD	**3,077**	2,850
Other	**1,917**	1,381
Total	**125,435**	127,907

ACCOUNTS RECEIVABLE BY CURRENCY

1,000 EUR	2016	2015
EUR	**28,610**	35,620
SEK	**1,108**	1,665
DKK	**1,075**	1,315
PLN	**873**	939
RUB	**9,576**	2,744
UAH	**3,638**	2,384
USD	**1,351**	1,647
Other	**1,848**	849
Total	**48,079**	47,163

ACCOUNTS PAYABLE AND ADVANCES RECEIVED BY CURRENCY

1,000 EUR	2016	2015
EUR	**35,733**	35,443
SEK	**722**	1,047
DKK	**181**	91
PLN	**300**	145
RUB	**1,028**	474
UAH	**642**	343
USD	**3,234**	3,331
Other	**1,103**	311
Total	**42,943**	41,185

In accordance with Aspo's strategy, an increasingly significant part of the net sales of Telko and Leipurin originates from Russia. In addition, a considerable part of Telko's net sales comes from Ukraine. Aspo's most extensive currency risks are related to the Russian ruble. If the ruble weakened against the euro, the Russian net sales and result denominated in euro of the Telko and Leipurin segments would decrease. During the first half of 2016, the Russian ruble fell clearly from the previous year but strengthened slightly during the second half of the year. Changes between the values of the ruble and the euro reduced the 2016 euro-denominated net sales and result.

The currency risks of ESL Shipping are mainly related to dollar-denominated investments. In 2016, the shipping company had a major investment program to build two new ships. The total value of the investment is approximately EUR 60 million, and the related cash flows will occur in the years 2015–2018. Part of the future cash flows related to the contract are dollar-denominated, and they have been hedged in their entirety by currency forward contracts.

At the reporting date, Aspo Group's currency position mainly consisted of internal and external interest-free and interest-bearing receivables and liabilities denominated in foreign currency.

Interest-bearing liabilities are mainly denominated in euro.

Most of Aspo Group's accounts receivable are denominated in euro. Because a significant part of Telko and Leipurin operations comes from Russia, accounts receivable from this market area comprise the second largest item.

Aspo Group has made investments in subsidiaries abroad. In addition, the equity of subsidiaries abroad increases through profitable business. The total equity of the Group's subsidiaries abroad at the reporting date was EUR 33.4 million (25.5). Ruble-denominated investments of EUR 19.2 million (15.5) in subsidiaries operating in Russia were the biggest investment in regard to the currency amount. The strengthening of the ruble against euro at the end of the year partly increased the euro-denominated equity of subsidiaries operating in Russia. Despite the significant share of equity being denominated in the Russian ruble, the Group deems that diversifying is at a sufficient level, and there is no need to hedge the translation position associated with the equities of its subsidiaries abroad. The table above shows the Group's share in the subsidiaries' equity by currency.

In addition, non-current intra-Group loan receivables (included in the Telko segment) from Telko's Belarusian, Ukranian and Kazakhstani subsidiaries have been classified as non-current net investments in foreign operations.

INVESTMENTS IN FOREIGN SUBSIDIARIES

1,000 EUR	Equity 2016	Equity 2015
SEK	**-1,487**	-1,422
DKK	**5,974**	5,201
RUB	**19,246**	15,477
NOK	**44**	17
UAH	**1,112**	129
PLN	**1,690**	1,624
BYN/BYR	**-826**	-804
CNY	**-1,587**	-1,159
KZT	**-353**	-412
AZN	**-19**	
EUR	**9,642**	6,808
Total	**33,436**	**25,459**

CASH AND CASH EQUIVALENTS AND UNUTILIZED COMMITTED REVOLVING CREDIT FACILITIES

1,000 EUR	2016	2015
Cash and cash equivalents	**22,627**	23,888
Revolving credit facilities	**40,000**	60,000
Total	**62,627**	83,888

Interest rate risk

To finance its operations, Aspo Group uses both fixed-rate and floating-rate liabilities that cause an interest rate risk in Aspo Group's cash flow and profit as a result of changes in the interest rate level. In addition to fixed-rate liabilities, Aspo Group uses interest rate derivatives to decrease a possible growth in future cash flows caused by an increase in short-term market interest rates. On December 31, 2016, the Group's interest-bearing liabilities totaled EUR 125.4 million (127.9) and cash and cash equivalents stood at EUR 22.6 million (23.9). Aspo Group's credit portfolio is reviewed with regard to average interest rate, the duration of interest rate position, average loan maturity, and relation between fixed-rate and floating-rate liabilities. On the balance sheet date, the average interest rate on interest-bearing liabilities was 1.8% (1.7), the duration of interest rate position was 2.1 years (2.4), the average loan maturity was 4.2 years (4.4), and the share of fixed-rate liabilities was 42% (39). In 2016, the average maturity of interest-bearing loans and the duration of interest rate position shortened, and the portion of fixed-rate debts increased.

Sensitivity to market risks

Aspo Group is exposed to interest rate and currency risks via financial instruments, such as financial assets and liabilities including derivative contracts, included in the balance sheet on the reporting date. The currency position varies during the financial year and, accordingly, the position included in the balance sheet on the reporting date does not necessarily reflect the situation during the financial year. The impact of foreign currency denominated sales and purchase transactions made during the financial year on the statement of comprehensive income is not taken into account in the sensitivity analysis unless they were hedged through derivatives.

The sensitivity analysis is used to analyze the impact of market trends on measurements. The US dollar poses a significant currency risk for Aspo Group due to vessel investments. Cash flows related to the investment have been hedged by currency forwards. The fluctuation between the Russian ruble and euro is the most significant factor causing currency risks to the Group.

The sensitivity analysis regarding changes in the euro/Russian ruble exchange rate is based on the following assumptions:

- The exchange rate change of +/-30%.
- The position includes the ruble-denominated financial assets and liabilities of companies that use the euro as their functional currency and the euro-denominated financial assets and liabilities of subsidiaries operating in Russia, i.e. accounts receivable and other receivables, loans

and overdraft facilities used, accounts payable and other liabilities, as well as cash and cash equivalents on the reporting date.
- Future cash flows are not taken into account in the position.

The sensitivity calculation resulting from changes in interest rates is based on the following assumptions:
- The interest level changes by one percentage point.
- The position includes floating-rate interest-bearing financial liabilities and assets.
- The calculation is based on balance sheet values on the reporting date, and changes in capital during the year are not taken into account.

In the sensitivity analysis, the effects in the statement of comprehensive income are calculated as profit before taxes. The equity sensitivity analysis covers the capital invested in the subsidiary with regard to the currency risk and the items subject to hedge accounting with regard to the interest risk.

Market risks also have an impact on Aspo Group through items other than financial instruments. The oil price has an impact on Aspo Group's financial performance through transportation costs. The Group has hedged against this risk by means of contractual clauses. The fluctuations in raw material prices for chemicals and food also affect the Group's financial performance.

SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY AND INTEREST RATE RISK

	2016		2015	
1,000 EUR	Statement of comprehensive income	Equity	Statement of comprehensive income	Equity
Currency risk				
+30% strengthening of euro against RUB	**-1,473**	**-4,441**	367	-3,572
-30% weakening of euro against RUB	**2,735**	**8,248**	-682	6,633
Interest rate risk				
Change of +100 basic points in the market interest rates	**-546**		-503	
Change of -100 basic points in the market interest rates	**547**		470	

AGEING ANALYSIS OF ACCOUNTS RECEIVABLE

1,000 EUR	2016	2015
Not matured	**34,438**	32,778
Matured 1–30 days ago	**7,722**	7,772
Matured 31–60 days ago	**2,604**	2,432
Matured more than 60 days ago	**3,315**	4,181
Total	**48,079**	47,163

Hedge accounting

The future US dollar-denominated cash flows related to the ESL Shipping's vessel investments have been hedged with currency forwards. Total capital of the currency forwards is approximately USD 41 million. The currency forwards are subject to hedge accounting, and the effective part of changes in their fair value are recognized in the hedging reserve under the fair value reserve of Aspo Group's equity. The effective part of the changes in fair value of currency forwards, EUR 1.3 million (0.1), is recognized in other comprehensive income, while the interest portion of the currency forwards is recognized in the financial items of the statement of comprehensive income.

The floating interest rate of the term loan taken out by Aspo Plc in 2011 and matured in 2015 was hedged with an interest rate swap throughout the validity of the loan agreement. The said interest rate swap was subject to hedge accounting, and changes in its fair value were entered in other comprehensive income. The hedging relation between the loan hedged and the hedging instrument was effective. The said term loan, matured in 2015, was renewed with the same amount, and hedging of the variable interest of the renewed term loan was continued with an interest swap, but hedge accounting was discontinued in connection with the renewal due to its partial ineffectiveness, and changes in fair value have since been recognized through profit or loss. The loss accumulated in equity by 2015 was EUR 0.6 million and is entered in profit or loss in accordance with the original forecast transaction, still expected to occur by 2019. On December 31, 2016, the fair value of the Group's interest rate derivatives amounted to EUR -0.6 million (-0.7).

26.3 LIQUIDITY AND REFINANCING RISK

The objective of Aspo Group is to ensure sufficient financing for operations in all situations and market conditions. In accordance with the treasury policy, the sources of financing are diversified among a sufficient number of counterparties and different loan instruments. The sufficient number of committed financing agreements and sufficient maturity ensure Aspo Group's current and near-future financing needs.

Aspo Group's most significant financing needs in 2016 were related to the vessel investments by ESL Shipping and the company signed vessel finance agreements of EUR 50 million. ESL Shipping made payments of approximately EUR 3 million related to the ship investments. The main financing source of Telko, Leipurin and Kauko is the cash flow from their operations. Liquidity is ensured through cash and cash equivalents, the issuing of commercial papers and committed overdraft limits, as well as revolving credit facilities granted by selected cooperation banks.

The Group's cash and cash equivalents at the end of the financial year 2016 were EUR 22.6 million (23.9). At the reporting date, Aspo Plc had a EUR 80 million domestic commercial paper program, which was fully unutilized. At the reporting date, Aspo Plc also had revolving credit facil-

MATURITY ANALYSIS 2016

1,000 EUR	Balance sheet value Dec 31, 2016	Cash flow 2017	2018	2019	2020	2021–
Loans	-118,192	-8,170	-22,699	-21,769	-35,684	-38,410
Overdraft facilities	-4,994	-1,917	-3,077			
Financial leasing liabilities	-2,248	-838	-653	-413	-248	-163
Accounts payable and other liabilities	-47,310	-47,310				
Derivative instruments						
Interest rate swaps						
Hedge accounting not applied						
Cash flows to be paid		-258	-249	-119		
Currency forwards						
Hedge accounting applied						
Cash flows to be paid		-9,163	-26,999			
Cash flows to be received		9,606	28,247			

MATURITY ANALYSIS 2015

1,000 EUR	Balance sheet value Dec 31, 2015	Cash flow 2016	2017	2018	2019	2020–
Loans	-120,252	-11,202	-8,122	-22,646	-21,690	-66,919
Overdraft facilities	-5,266	-2,416	-2,850			
Financial leasing liabilities	-2,389	-879	-794	-485	-239	-77
Accounts payable and other liabilities	-47,614	-47,614				
Derivative instruments						
Interest rate swaps						
Hedge accounting not applied						
Cash flows to be paid		-235	-233	-199	-78	
Currency forwards						
Hedge accounting applied						
Cash flows to be paid		-2,308	-9,163	-26,999		
Cash flows to be received		2,318	9,190	27,045		

ities granted by selected cooperation banks in the amount of EUR 40 million which were fully unutilized. In the financial year, Aspo Plc signed a revolving credit facility agreement amounting to EUR 20 million. The agreement replaced an expiring revolving credit facility agreement of the same amount.

Financial covenants associated with significant financial agreements were not breached during the financial year.

26.4 CREDIT AND COUNTERPARTY RISKS

The Group has credit risk from accounts receivables. The Telko and Leipurin segments have an international and highly diversified customer base, and no considerable customer risk centers. ESL Shipping's accounts receivable are connected to long-term customer relationships with creditworthy companies. The turnover rate of its accounts receivable is high. All segments hedge against credit risks by using, when necessary, payment terms based on advance payments and bank guarantees.

Aspo Group's aim is to have low cash and cash equivalents. The counterparty risk is managed by selecting well-known and financially solvent domestic and international banks as counterparties. Excess funds are invested in bank deposits and short-term money market instruments. The derivative contract-based counterparty risk is managed by selecting well-known and solvent domestic banks as counterparties.

26.5 CAPITAL MANAGEMENT

The objective of the Group is to achieve a capital structure, with which Aspo Group can ensure the operational framework for short- and long-term operations, and a sufficient return on equity.

FINANCIAL ASSETS AND LIABILITIES 2016

1,000 EUR	Loans and other receivables	Available-for-sale financial assets recognized in other comprehensive income	Other financial liabilities	Derivatives in hedge accounting recognized in other comprehensive income	Derivatives outside hedge accounting recognized through profit and loss	Carrying amount
Financial assets measured at fair value						
Non-current financial assets						
Available-for-sale financial assets		172				172
Non-current receivables				1,248		1,248
Current financial assets						
Accounts receivable and other receivables				443		443
Total		**172**		**1,691**		**1,863**
Financial assets measured at amortized cost						
Current financial assets						
Accounts receivable and other receivables*	49,062					49,062
Cash and cash equivalents	22,627					22,627
Total	**71,689**					**71,689**
Financial liabilities measured at fair value						
Non-current financial liabilities						
Other non-current liabilities					368	368
Current financial liabilities						
Accounts payable and other liabilities					258	258
Total					**626**	**626**
Financial liabilities measured at amortized cost						
Non-current financial liabilities						
Loans and overdraft facilities			116,640			116,640
Current financial liabilities						
Loans and overdraft facilities			8,794			8,794
Accounts payable and other liabilities*			47,310			47,310
Total			**172,744**			**172,744**

*Comprises only financial assets or financial liabilities included in the corresponding balance sheet item.

The main factors affecting the capital structure are possible acquisitions and divestments, Aspo Plc's dividend policy, the vessel investments of ESL Shipping and the profitability of the subsidiaries' business operations.

The development of the Group's capital structure is mainly monitored through the equity ratio and gearing. On December 31, 2016, the equity ratio was 37.4% (33.8) and gearing was 89.8% (101.4). During the financial year 2016, Aspo Group's capital structure was strengthened compared with the previous year.

FINANCIAL ASSETS AND LIABILITIES 2015

1,000 EUR	Loans and other receivables	Available-for-sale financial assets recognized in other comprehensive income	Other financial liabilities	Derivatives in hedge accounting recognized in other comprehensive income	Derivatives outside hedge accounting recognized through profit and loss	Carrying amount
Financial assets measured at fair value						
Non-current financial assets						
Available-for-sale financial assets		172				172
Non-current receivables				74		74
Current financial assets						
Accounts receivable and other receivables				9		9
Total		**172**		**83**		**255**
Financial assets measured at amortized cost						
Current financial assets						
Accounts receivable and other receivables*	47,708					47,708
Cash and cash equivalents	23,888					23,888
Total	**71,596**					**71,596**
Financial liabilities measured at fair value						
Non-current financial liabilities						
Other non-current liabilities					510	510
Current financial liabilities						
Accounts payable and other liabilities					235	235
Total					**745**	**745**
Financial liabilities measured at amortized cost						
Non-current financial liabilities						
Loans and overdraft facilities			115,586			115,586
Current financial liabilities						
Loans and overdraft facilities			12,321			12,321
Accounts payable and other liabilities*			47,614			47,614
Total			**175,521**			**175,521**

*Comprises only financial assets or financial liabilities included in the corresponding balance sheet item.

As described in the Accounting Principles, the Group classifies the determining of fair values of financial assets and liabilities on different levels in the fair value hierarchy. Group's derivatives include interest rate swaps and currency forwards and they fall into level 2 in the fair value hierarchy. Available-for-sale financial assets fall into hierarchy level 3.

Financial assets and liabilities not measured at fair value fall into hierarchy level 2. Their fair values are not materially different from their carrying amounts. The fair values of non-current loans are based on discounted future cash flows taking into account Aspo's credit margin.

27. Derivative Contracts

1,000 EUR	2016 Nominal value	2016 Fair values, net	2015 Nominal value	2015 Fair values, net
Currency derivatives				
Currency forwards	**-36,162**	**1,691**	-38,470	83
Interest rate derivatives				
Interest rate swaps	**15,000**	**-626**	15,000	-745
Total		**1,065**		-662

28. Contingent Assets and Liabilities, and Other Commitments

CONTINGENT LIABILITIES

As part of their ordinary business activities, Aspo and some of its subsidiaries sign different agreements under which guarantees are offered to third parties on behalf of these subsidiaries. These agreements are primarily made in order to support or improve Group companies' creditworthiness, and through them it is easier to find sufficient financing.

HYBRID INSTRUMENT

On May 27, 2016, Aspo issued a EUR 25 million hybrid bond. The coupon rate of the bond is 6.75% per annum. The bond has no maturity but the company may exercise an early redemption option after four years from the issuing date.

ENVIRONMENTAL REMEDIATION OBLIGATION

Rauma Terminal Services Oy, a company within the Aspo Group, is obligated, with regard to land areas leased from the Town of Rauma to restore the land areas so that they are in the same condition as before the lease. The scope of the obligation covers the dismantling of the buildings built by the company, including their foundations, and leveling the dismantled area. The review also includes regular environmental responsibilities from which no costs arise according to the company's understanding. The area has long-term lease agreements, and the Town of Rauma has not expressed any intention to change the area's purpose of use. As a result, the obligation has been treated as a contingent liability in the consolidated financial statements, and no separate transactions have been entered in the statement of comprehensive income or on the balance sheet.

LEGAL PROCEEDINGS

On February 27, 2015, the Helsinki District Court announced its judgement in the case between ESL Shipping and the Finnish State regarding fairway dues levied during the years 2001–2004. According to the judgement, the Finnish State will be required to refund to ESL Shipping approximately EUR 3,0 million in accordance with the company's claim, as well as legal expenses and interest. The State lodged an appeal against the District Court's judgement and, in its ruling issued on August 8, 2016, the Court of Appeal overruled the Helsinki District Court's judgement and dismissed ESL Shipping's legal action as time-barred. The company has applied for a leave to appeal from the Supreme Court. The possible refund has not been included in the financial statement.

The shipping company won legal proceedings against Indian ABG Shipyard concerning the compensation payable for repairs made to m/s Alppila during the warranty period. The vessel was delivered to ESL Shipping in 2011. According to the ruling of the arbitration court, ABG Shipyard was required to refund the repair expenses and interest to ESL Shipping according to the company's claims. The impact of ruling has not been included in the financial statement, but it will be taken into account during the financial year over which the imposed payment is received.

Aspo Group's companies are parties to some legal proceedings and disputes associated with regular business operations. The financial impact of these proceedings and disputes cannot be estimated for certain but, on the basis of the information available and taking into account the existing insurance cover and provisions made, Aspo Group believes that they do not have any material adverse impact on the Group's financial position.

COLLATERAL FOR OWN DEBT

1,000 EUR	2016	2015
Mortgages given	**104,454**	104,454
Guarantees	**40,316**	45,889
Other commitments*	**38,063**	37,248
Total	**182,833**	187,591

GUARANTEES GIVEN ON BEHALF OF JOINT VENTURES

1,000 EUR	2016	2015
Guarantees		212
Total		212

OPERATING LEASE RENTALS PAYABLE

1,000 EUR	2016	2015
Within one year	**7,255**	6,843
After one year and within five years	**16,315**	16,607
After five years		1,399
Total	**23,570**	24,849

*Other commitments are mainly related to new vessels contracts.

29. Related Parties

Information on subsidiaries within Aspo Group's related parties is presented in the attached table. Information on joint ventures within Aspo Group's related parties is presented in Note 16. The related parties also include key management personnel, i.e. members of the Board of Directors and the Group Executive Committee, and any entities under their control.

Information about the members of the Board and the Group Executive Committee is available in the Corporate Governance section.

MANAGEMENT EMPLOYEE BENEFITS

Share-based incentive plan 2015–2017

The Board of Directors of Aspo Plc approved in its meeting on February 11, 2015, a share-based incentive plan directed to approximately 30 persons. The aim of the plan is to combine the objectives of the shareholders and those within the plan in order to increase the value of the company, to commit the participants to the company, and to offer them a competitive incentive plan based on a long-term holding of the company's shares.

The plan includes three earnings periods, calendar years 2015, 2016, and 2017. The prerequisite for participation in the plan and for receipt of reward on basis of each earnings period is that the person acquires Aspo's shares, or holds the company's shares, up to the number predetermined by the Board of Directors.

Aspo's Board of Directors will decide on the plan's performance criteria, required performance levels for each criterion and persons to whom participation possibility is offered at the beginning of each earnings period. The reward will be paid partly in Aspo Plc's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the person. As a rule, no reward will be paid, if a person's employment or service contract ends before the reward payment. The shares received as reward may not be sold during the commitment period, which will end two years from the end of the earnings period. If a person's em-

GROUP COMPANIES

Company	Domicile	Holding %
Aspo Plc, parent company	Finland	
Aspo Palvelut Ltd	Finland	100.00
Oy Bomanship Ab	Finland	100.00
Bomanship Europe Unipessoal Lda	Portugal	100.00
ESL Shipping Ltd	Finland	100.00
Kauko GmbH	Germany	100.00
Kauko Ltd	Finland	100.00
LeiConcept Oy	Finland	100.00
OOO Leipurien Tukku	Russia	100.00
Leipurien Tukku Oy	Finland	100.00
Leipurin Plc	Finland	100.00
FLLC Leipurin	Belarus	100.00
LLC Leipurin	Ukraine	100.00
SIA Leipurin	Latvia	100.00
TOO Leipurin	Kazakhstan	100.00
UAB Leipurin	Lithuania	100.00
Leipurin Estonia AS	Estonia	100.00
Leipurin Poland Sp. z o.o.	Poland	100.00
OOO NKP Leipurin	Russia	100.00
Rauma Terminal Services Oy	Finland	100.00
Suhi-Suomalainen Hiili Oy	Finland	100.00
Telko Ltd	Finland	100.00
FLLC Telko	Belarus	100.00
LLC Telko	Ukraine	100.00
OOO Telko	Russia	100.00
Telko UAB	Lithuania	100.00
Telko Caucasus LLC	Azerbaijan	100.00
LLC Telko Central Asia	Kazakhstan	100.00
Telko Estonia OÜ	Estonia	100.00
Telko Denmark A/S	Denmark	100.00
Telko Latvia SIA	Kazakhstan	100.00
Telko Norway AS	Estonia	100.00
Telko-Poland Sp. z o.o.	Denmark	100.00
Telko Shanghai Ltd.	China	100.00
Telko Sweden AB	Sweden	100.00
OOO Telko Terminal	Russia	100.00
Oy Troili Ab	Finland	100.00
Vulganus Oy	Finland	100.00

ployment or service contract ends during the commitment period, the person must gratuitously return the shares received as a reward.

The reward from the earnings period 2015 was based on the Group's earnings per share (EPS). In 2016, on the basis of the 2015 earnings period, employees included in the plan received 88,970 treasury shares as a share-based reward, as well as cash equaling the value of the shares in order to pay taxes.

The reward from the 2016 earnings period was based on the Group's earnings per share (EPS). The share-based cost of rewards was on the balance sheet date estimated at in total of EUR 365 thousand. It will be accrued over the years 2016–2018 on the basis of the rules of the incentive plan.

On February 15, 2017, the Board of Directors decided that the reward for the 2016 earnings period will be 26,040 shares and cash corresponding at most to the value of the shares for covering taxes, i.e. an amount corresponding to the value of approximately 26,000 shares.

The Board of Directors decided that the maximum reward for the 2017 earnings period will be 112,000 shares and cash corresponding at most to the value of the shares for covering taxes, i.e. an amount corresponding to the value of approximately 112,000 shares. When the decision regarding the 2015–2017 plan was taken the rewards to be paid corresponded to the approximate maximum total value of 900,000 Aspo Plc shares (including also the proportion to be paid in cash).

In accordance with the rules of incentive plans a total of 5,275 treasury shares, originally granted on the basis of share-based incentive plans, were returned due to ended contracts of employment.

Other benefits

The CEO has a supplementary defined contribution pension plan in which the pension is determined in accordance with the accumulated insurance savings at the time of retirement. The CEO's retirement age is the lowest possible statutory retirement age less three years. The statutory pension cost recognized as expenses was EUR 106,510 and the voluntary pension

SHARE-BASED PAYMENTS RECOGNIZED IN THE PERIOD

1,000 EUR	2016	2015
Total expenses recognized in employee benefit expenses	**524**	671
Accrued expenses in the balance sheet liabilities related to the proportion paid in cash	**190**	580

A new share-based incentive plan 2015–2017 commenced in 2015. The share-based expenses for each earnings period will be recognized over three years based on the rules of the plan.

SHARE-BASED INCENTIVE PLAN

	Grant date	Transfer date	Number of shares granted	Market value of share on grant date , EUR	Market value of share on transfer date , EUR
Covers years 2015–2017	Feb. 11, 2015				
the share of the year 2015	Mar. 13, 2015	Mar. 18, 2016	88,970	7.72	7.25
the share of the year 2016	Mar .11, 2016		26,040	7.20	

SALARIES AND BENEFITS OF BOARD MEMBERS AND CEO

	2016		2015	
1,000 EUR	Salaries and remunerations	Pensions	Salaries and remunerations	Pensions
Ojanen Aki, CEO		**209**		183
CEO, salaries	**372**		371	
CEO, bonuses	**206**		218	
CEO, share-based payments	**250**		279	
Nyberg Gustav, Chairman of the Board	**87**	**115**	93	110
Members of the Board of Directors:				
Arteva Matti*	**7**		34	
Kaario Mammu	**31**		32	
Laine Mikael**	**22**			
Lencioni Roberto, Vice Chairman of the Board	**45**		42	
Pentti-von Walzel Kristina*	**8**		31	
Pöyry Salla**	**22**			
Salo Risto	**29**		29	
Total	**1,079**	**324**	1,129	293

*Member of the Board until April 7, 2016
**Member of the Board since April 7, 2016

Pension benefits include both statutory and voluntary pension payments.

cost was EUR 102,835. The period of notice applied to the CEO is six months. If notice is given by the company, severance pay corresponding to 18 months' salary will be paid in addition to the salary for the notice period.

The Chairman of the Board has a supplementary defined contribution pension plan in which the pension is determined based on the accumulated insurance saving at the time of retirement. The retirement age is the lowest possible statutory retirement age less three years. The statutory pension cost recognized as expenses was EUR 16,002 and the voluntary pension cost was EUR 98,928.

Information on Aspo's hybrid bond subscribed by the related parties is presented in the Corporate Governance section.

KEY MANAGEMENT PERSONNEL COMPENSATION

1,000 EUR	2016	2015
Salaries and other short-term employee benefits	**1,946**	1,759
Post-employment benefits	**548**	456
Share-based payments	**381**	471
Total	**2,875**	2,686

30. Events After the Financial Year

There have been no material events after the end of the financial year.

KEY FIGURES

In addition to IFRS figures, the Aspo releases other commonly used key figures which are mainly derived from the statement of comprehensive income and balance sheet. According to the management, key figures clarify the picture drawn by the statement of comprehensive income and balance sheet of Aspo's financial performance and financial position.

	2016	2015	2014	2013	2012
Net sales, MEUR	**457.4**	445.8	482.9	476.3	481.6
Operating profit, MEUR	**20.4**	20.6	23.4	10.8	10.6
Share of net sales, %	**4.5**	4.6	4.8	2.3	2.2
Profit before taxes, MEUR	**17.3**	21.3	19.0	6.6	7.4
Share of net sales, %	**3.8**	4.8	3.9	1.4	1.5
Profit for the period, MEUR	**15.9**	19.8	18.4	8.6	10.8
Share of net sales, %	**3.5**	4.4	3.8	1.8	2.2
Return on investment (ROI), %	**8.7**	11.2	9.9	4.6	5.4
Return on equity (ROE), %	**14.6**	19.1	17.8	8.9	11.8
Equity ratio, %	**37.4**	33.8	35.2	34.4	29.2
Gearing, %	**89.8**	101.4	101.0	98.2	131.6
Gross investments in tangible and intangible assets, MEUR	**6.9**	15.1	18.7	4.9	30.5
Share of net sales, %	**1.5**	3.4	3.9	1.0	6.3
Personnel, Dec. 31	**895**	857	879	869	871
Average number of personnel	**871**	862	882	878	858
Share-specific indicators					
Earnings/share (EPS), EUR	**0.49**	0.61	0.57	0.28	0.36
Diluted earnings/share, EUR	**0.49**	0.61	0.57	0.30	0.37
Equity/share, EUR	**3.75**	3.36	3.42	3.39	2.95
Nominal dividend/share, EUR (2016 proposed by Board of Directors)	**0.42**	0.41	0.40	0.21	0.42
Dividend/earnings, %	**85.4**	67.1	70.3	75.3	117.9
Effective dividend yield, %	**5.1**	5.5	7.0	3.5	6.6
Price/earnings ratio (P/E)	**16.6**	12.3	10.0	21.6	17.9
Diluted price/earnings ratio (P/E)	**16.6**	12.3	10.0	20.4	17.4
Share price development					
average price, EUR	**6.95**	7.23	6.20	5.74	6.63
lowest price, EUR	**6.00**	5.92	5.21	5.19	5.70
highest price, EUR	**8.21**	8.16	7.52	6.82	7.95
Closing price on the last day of trading, EUR	**8.18**	7.50	5.69	6.03	6.39
Market value of shares, Dec. 31, MEUR	**253.4**	232.3	176.3	186.7	197.9
excluding treasury shares, MEUR*	**250.1**	228.7	173.0	182.6	193.5
Development of share turnover, 1,000	**2,491**	4,886	4,872	4,032	2,704
Development of share turnover, %	**8.0**	15.8	15.7	13.0	8.7
Total share trading, EUR 1,000	**17,326**	35,340	30,222	22,917	17,625
Registered share capital, number of shares, Dec. 31, 1,000	**30,976**	30,976	30,976	30,967	30,967
outstanding, Dec. 31	**30,579**	30,496	30,402	30,274	30,284
outstanding, average	**30,564**	30,479	30,312	30,282	30,255
diluted number of shares, average	**30,564**	30,479	30,312	31,945	31,974

*Shares in Aspo Plc owned by Aspo Management Oy were included in treasury shares between 2010 and 2014. Aspo Management Oy was merged with Aspo Plc in 2015.

CALCULATION PRINCIPLES OF KEY FIGURES

Return on investment, % (ROI)	=	$\frac{\text{(Profit before taxes + Interest and other financial expenses) x 100}}{\text{Balance sheet total – Interest-free liabilities (average)}}$
Return on equity, % (ROE)	=	$\frac{\text{(Profit before taxes – Taxes) x 100}}{\text{Equity + Non-controlling interest (average)}}$
Equity ratio, %	=	$\frac{\text{(Equity + Non-controlling interest) x 100}}{\text{Balance sheet total – Advances received}}$
Gearing, %	=	$\frac{\text{(Interest-bearing liabilities – Cash and cash equivalents) x 100}}{\text{Equity + Non-controlling interest}}$
Average number of personnel	=	Average number of personnel at the end of each month
Earnings per share (EPS), EUR*	=	$\frac{\text{Profit before taxes – Income taxes – Non-controlling interest}}{\text{Adjusted average number of shares during the financial year}}$
Equity per share, EUR	=	$\frac{\text{Equity}}{\text{Adjusted number of shares on balance sheet date}}$
Adjusted dividend per share, EUR	=	$\frac{\text{Dividend per share paid for the financial year}}{\text{Share issue multiplier}}$
Dividend/earnings, %*	=	$\frac{\text{Adjusted dividend per share x 100}}{\text{Earnings per share}}$
Effective dividend yield, %	=	$\frac{\text{Adjusted dividend per share x 100}}{\text{Average share price on closing day weighted with trading volume}}$
Share issue adjusted repayment of capital/share, EUR	=	$\frac{\text{Repayment of capital per share paid for the financial year}}{\text{Share issue multiplier}}$
Repayment of capital/earnings, %	=	$\frac{\text{Share issue adjusted repayment of capital per share x 100}}{\text{Earnings per share}}$
Effective repayment of capital yield, %	=	$\frac{\text{Share issue adjusted repayment of capital per share x 100}}{\text{Average share price on closing day weighted with trading volume}}$
Price/earnings ratio (P/E)*	=	$\frac{\text{Adjusted average share price on closing day}}{\text{Earnings per share}}$
Market value of shares, EUR	=	Number of shares outside the Group x Average share price on closing day weighted with trading volume
Free cash flow	=	Net cash from operating activities + Net cash from investing activities

The impact of treasury shares has been eliminated in the calculation of key figures.

*When calculating the earnings per share, interest of the hybrid bond, adjusted for tax effect, has been considered as a profit-reducing item.

PARENT COMPANY'S INCOME STATEMENT

1,000 EUR	Notes	Jan 1–Dec 31, 2016	Jan 1–Dec 31, 2015
Other operating income	1.1	**2,133**	1,814
Staff expenses	1.2	**-2,175**	-2,930
Depreciation	1.3	**-14**	-2
Other operating expenses	1.4	**-4,139**	-5,058
Operating loss		**-4,195**	-6,176
Financial income and expenses	1.5	**14,504**	10,067
Profit before appropriations and taxes		**10,309**	3,891
Appropriations	1.6	**2,495**	4,550
Profit before taxes		**12,804**	8,441
Income taxes		**0**	0
Profit for the period		**12,804**	8,441

PARENT COMPANY'S BALANCE SHEET

ASSETS

1,000 EUR	Notes	Dec 31, 2016	Dec 31, 2015
Non-current assets			
Intangible assets	2.1		277
Tangible assets	2.1	**154**	164
Investments	2.2	**83,429**	83,437
Total non-current assets		**83,583**	83,878
Current assets			
Current receivables	2.3	**62,621**	58,344
Cash and cash equivalents		**7,231**	8,408
Total current assets		**69,852**	66,752
Total assets		**153,435**	150,630

EQUITY AND LIABILITIES

1,000 EUR	Notes	Dec 31, 2016	Dec 31, 2015
Equity			
Share capital	2.4	**17,692**	17,692
Share premium	2.4	**4,351**	4,351
Invested unrestricted equity reserve	2.4	**16,662**	16,579
Retained earnings	2.4	**2,029**	5,657
Profit for the period		**12,804**	8,441
Total equity		**53,538**	52,720
Provisions	2.5	**375**	700
Liabilities			
Non-current liabilities			
Loans from Group companies	2.6	**7,143**	8,572
Bond	2.6	**11,000**	11,000
Loans from financial institutions	2.6	**40,000**	40,000
Perpetual bond	2.6	**25,000**	20,000
Deferred liabilities	2.6	**368**	510
Total non-current liabilities		**83,511**	80,082
Current liabilities			
Loans from financial institutions	2.7		3,000
Liabilities to Group companies	2.7	**14,660**	12,347
Accounts payable	2.7	**125**	226
Other liabilities	2.7	**68**	133
Deferred liabilities	2.7	**1,158**	1,422
Total current liabilities		**16,011**	17,128
Total liabilities		**99,522**	97,210
Total equity and liabilities		**153,435**	150,630

PARENT COMPANY'S CASH FLOW STATEMENT

1,000 EUR	Jan 1–Dec 31, 2016	Jan 1–Dec 31, 2015
Cash flows from operating activities		
Operating loss	**-4,195**	-6,176
Adjustments to operating loss	**-126**	77
Change in working capital	**-200**	-3,042
Interest paid	**-2,926**	-2,832
Interest received	**809**	821
Dividends received	**12,502**	13,004
Net cash from operating activities	**5,864**	1,852
Cash flows from investing activities		
Investments in tangible and intangible assets	**-134**	-364
Proceeds from sale of tangible and intangible assets	**406**	
Proceeds from sale of investments	**29**	
Investments in other shares		-10
Net cash from investing activities	**301**	-374
Cash flows from financing activities		
Proceeds from non-current loans from Group companies		10,000
Repayment of non-current loans from Group companies	**-1,429**	
Proceeds from non-current loans		25,000
Change in current receivables	**-2,584**	11,916
Change in current liabilities	**-687**	-47,303
Proceeds from issue of bond		11,000
Perpetual bond, proceeds from issue	**25,000**	
Perpetual bond, repayment	**-20,000**	
Group contributions received	**4,550**	1,630
Dividends distributed	**-12,540**	-12,199
Purchase of treasury shares	**-39**	-242
Proceeds from sale of treasury shares	**387**	435
Net cash from financing activities	**-7,342**	237
Change in cash and cash equivalents	**-1,177**	1,715
Cash and cash equivalents Jan. 1	**8,408**	6,375
Cash and cash equivalents from mergers		318
Cash and cash equivalents at year-end	**7,231**	8,408

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES
Aspo Plc's financial statements have been compiled in accordance with FAS. The accounting principles have not changed from the previous year. When compiling the financial statements, the management of the company must, in accordance with valid regulations and good accounting practice, make estimates and assumptions that affect the measurement and accruing of financial statement items. The actual figures may differ from the estimates.

FOREIGN CURRENCY TRANSACTIONS
Foreign currency denominated transactions are recorded at the exchange rates valid on the transaction date. On the reporting date, the receivables and liabilities on the balance sheet are measured at the exchange rates of the reporting date. Hedging instruments for open foreign currency denominated items are measured at the rate of the reporting date, taking into account interest rates. Foreign exchange gains and losses related to business operations are recognized as net sales and operational expense adjustment items. Financing related foreign exchange gains and losses are recognized in financial income and expenses.

PENSIONS
The company's pension coverage is arranged through pension insurance.

RECEIVABLES
Receivables are measured at acquisition cost or at probable value, if lower.

NON-CURRENT ASSETS AND DEPRECIATIONS
Non-current assets are recognized in the balance sheet at acquisition cost, less depreciations. The depreciation periods for non-current assets are:

- Intangible rights 3–5 years
- Buildings 15–40 years
- Machinery and equipment 3–8 years

LEASING
Leasing payments are treated as rent expenses.

PROVISIONS
Provisions in the balance sheet include items that are either based on contracts or otherwise binding obligations, but have not yet realized. Changes to provisions are included in the income statement.

INCOME TAXES
The income taxes in the income statement include taxes calculated on profit for the period based on Finnish tax legislation and adjustment of taxes from previous financial years.

DIVIDENDS
The dividend proposed by the Board of Directors to the Annual Shareholders' Meeting was not yet recognized in the financial statements. The dividends are only taken into account after the decision by the Annual Shareholders' Meeting.

MEASUREMENT OF FINANCIAL INSTRUMENTS
Fair value measurement compliant with Chapter 5, section 2a of the Accounting Act is applied to the accounting treatment of financial derivatives, and changes in their fair value were entered in the income statement. Financial derivatives were measured at the market prices of the balance sheet date.

1.1 Other Operating Income

1,000 EUR	2016	2015
Sales gain from investments	21	
Other operating income, Group	472	431
Rental income, Group	895	1,136
Other rental income	626	88
Other operating income	119	159
Total	2,133	1,814

1.2 Personnel and Board Members

The Chairman of the Board of Director's and the CEO's retirement age is the lowest possible statutory retirement age less three years.

STAFF EXPENSES

1,000 EUR	2016	2015
Salaries and remunerations	**1,386**	1,626
Share-based payments	**118**	670
Profit bonus paid to the personnel fund	**34**	52
Pension expenses	**610**	478
Other social security expenses	**27**	104
Total	**2,175**	2,930

MANAGEMENT SALARIES AND BENEFITS

1,000 EUR	2016	2015
CEO, salaries	**372**	371
CEO, bonuses	**206**	218
CEO, share-based payments	**250**	279
Members of the Board of Directors, remunerations	**251**	260
Total	**1,079**	1,128

AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR

	2016	2015
Office staff	**5**	7

1.3 Depreciation

1,000 EUR	2016	2015
Machinery and equipment	**14**	2

1.4 Other Operating Expenses

1,000 EUR	2016	2015
Rents	**2,015**	2,022
Other expenses	**2,124**	3,036
Total	**4,139**	5,058

AUDITOR'S FEES

1,000 EUR	2016	2015
Auditing	**35**	39
Tax advice	**27**	33
Other services	**59**	61
Total	**121**	133

1.5 Financial Income and Expenses

1,000 EUR	2016	2015
Dividend income		
From Group companies	**16,500**	13,000
From others	**2**	4
Income from non-current investments	**16,502**	13,004
Other interest and financial income		
From Group companies	**806**	820
From others	**3**	1
Total interest and other financial income	**809**	821
Interest expenses and other financial expenses		
To Group companies	**-158**	-80
To others	**-2,649**	-3,678
Total interest and other financial expenses	**-2,807**	-3,758
Total financial income and expenses	**14,504**	10,067

1.6 Appropriations

1,000 EUR	2016	2015
Income		
Group contributions	**2,495**	4,550

2.1 Intangible and Tangible Assets

1,000 EUR	Intangible rights	Advance payments	Total intangibles	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments	Total tangibles
Acquisition cost, Jan. 1	347	277	624	1	12	79	73	87	252
Increases						91			91
Decreases		-277	-277					-87	-87
Acquisition cost, Dec. 31, 2016	**347**	**0**	**347**	**1**	**12**	**170**	**73**	**0**	**256**
Accumulated depreciation, Jan. 1	-347		-347		-12	-76			-88
Depreciation for the period						-14			-14
Accumulated depreciation, Dec. 31, 2016	**-347**		**-347**		**-12**	**-90**			**-102**
Carrying amount, Dec. 31, 2016	**0**	**0**	**0**	**1**	**0**	**80**	**73**	**0**	**154**
Carrying amount, Dec. 31, 2015	**0**	**277**	**277**	**1**	**0**	**3**	**73**	**87**	**164**

2.2 Investments

1,000 EUR	Subsidiary shares	Other shares	Total
Acquisition cost, Jan. 1	83,252	185	83,437
Decreases	-8		-8
Acquisition cost, Dec. 31, 2016	**83,244**	**185**	**83,429**
Acquisition cost, Dec. 31, 2015	**83,252**	**185**	**83,437**

2.3 Current Receivables

1,000 EUR	2016	2015
Receivables from Group companies		
Dividend receivables	**16,000**	12,000
Group contribution receivables	**2,495**	4,550
Cash pool accounts	**771**	835
Loan receivables	**43,100**	40,100
Deferred receivables	**78**	429
Total	**62,444**	57,914
Other receivables	**139**	392
Deferred receivables	**38**	38
Total	**177**	430
Total current receivables	**62,621**	58,344

2.4 Equity

1,000 EUR	2016	2015
Share capital, Jan. 1	**17,692**	17,692
Share capital, Dec. 31	**17,692**	17,692
Share premium, Jan. 1	**4,351**	4,351
Share premium, Dec. 31	**4,351**	4,351
Invested unrestricted equity reserve, Jan. 1	**16,579**	16,530
Share-based payments	**83**	49
Invested unrestricted equity reserve, Dec. 31	**16,662**	16,579
Retained earnings, Jan. 1	**14,098**	20,160
Dividend payment	**-12,540**	-12,199
Share-based payments	**471**	646
Structural changes in Group		-2,950
Retained earnings, Dec. 31	**2,029**	5,657
Profit for the period	**12,804**	8,441
Total equity	**53,538**	52,720

Distributable funds under unrestricted equity total EUR 31,495,378.54 (30,677,374.83).

2.5 Provisions

1,000 EUR	2016	2015
Share-based incentive plan	138	484
Onerous rental contract	216	216
Provision for tax charges	21	
Total	375	700

2.6 Non-current Liabilities

1,000 EUR	2016	2015
Loans from Group companies	7,143	8,572
Bond	11,000	11,000
Perpetual bond	25,000	20,000
Loans from financial institutions	40,000	40,000
Total non-current loans	83,143	79,572
Measurement of interest rate swap	368	510
Total deferred liabilities	368	510
Total non-current liabilities	83,511	80,082
Loans maturing after five years		
Loans from Group companies	1,429	2,857
Bond	11,000	11,000

On May 27, 2016, Aspo Plc issued a EUR 25 million perpetual bond (hybrid bond). The bond has no maturity but the company may excercise an early redemption option after four years from the issuing date. The coupon rate of the bond is 6.75% per annum.

In 2015, Aspo Plc issued a EUR 11 million unsecured private placement bond. The bond pays a fixed interest rate and matures on September 29, 2022.

2.7 Current Liabilities

1,000 EUR	2016	2015
Loans from financial institutions		3,000
Unpaid dividend	6	6
Accounts payable	125	226
Other liabilities	68	133
Deferred liabilities*	1,152	1,416
Total	1,351	4,781
Liabilities to Group companies		
Cash pool accounts	13,122	10,880
Other liabilities	1,538	1,467
Total	14,660	12,347
Total current liabilities	16,011	17,128
*Main items		
Accrued interests	408	357
Accrued salaries	603	690

2.8 Other Notes

FUTURE LEASE PAYMENTS

1,000 EUR	2016	2015
Payable within one year	**115**	79
Payable later	**222**	89
Total	**337**	168

OTHER RENTAL LIABILITIES

1,000 EUR	2016	2015
Payable within one year	**1,976**	1,950
Payable later	**3,952**	3,900
Total	**5,928**	5,850

GUARANTEES ON BEHALF OF GROUP COMPANIES

1,000 EUR	2016	2015
Guarantees	**88,876**	100,205
Total	**88,876**	100,205

DERIVATIVE CONTRACTS

1,000 EUR	2016	2015
Interest rate swap		
Nominal value	**15,000**	15,000
Fair value	**-626**	-745

SHARES AND SHAREHOLDERS

SHARE CAPITAL

Aspo Plc's share capital on December 31, 2016 was EUR 17,691,729.57 and the total number of shares was 30,975,524 of which the company held 396,226 shares; that is, 1.3% of the share capital.

SHARES

Aspo Plc has one share series. Each share entitles the shareholder to one vote at the Shareholders' Meeting. The company shares are quoted on Nasdaq Helsinki Ltd in the medium-sized companies category and under the GICS classification Industrials. The trading code of the share is ASPO.

DIVIDEND

Aspo Plc has an active, cash-flow-based dividend distribution policy, the goal of which is to distribute, on average, at least half of the Group's annual profit to shareholders.

The Board of Directors proposes to the Annual Shareholders' Meeting that EUR 0.42 per share be paid in dividends for the 2016 financial year, representing 85% of the Group's earnings per share. The dividend will be paid in two installments. The first installment of EUR 0.21 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 7, 2017. The Board of Directors proposes that the dividend be paid on April 18, 2017. The second installment of EUR 0.21 per share will be paid in November 2017 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date. At its meeting to be held on October 26, 2017, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 30, 2017 and the payment date would be November 6, 2017.

No dividend is paid for treasury shares held by Aspo Plc.

AUTHORIZATIONS

The Annual Shareholders' Meeting 2016 authorized the Board of Directors to decide on the acquisition of no more than 500,000 of the treasury shares using the unrestricted equity of the company. The authorization will remain in force until the Annual Shareholders' Meeting in 2017. The Board of Directors has not used the authorization.

The Annual Shareholders' Meeting 2015 authorized the Board of Directors to decide on a share issue, through one or several installments, to be executed by conveying the treasury shares. A maximum amount of 900,000 shares may be conveyed

MAJOR SHAREHOLDERS ON DECEMBER 31, 2016

	Number of shares	% of shares and voting rights
Havsudden Oy Ab	3,142,941	10.15
Varma Mutual Pension Isurance Company	1,438,412	4.64
Vehmas Tapio	1,375,827	4.44
Vehmas Aatos	1,043,394	3.37
Ilmarinen Mutual Pension Insurance Co	1,000,676	3.23
Vehmas Tatu	943,900	3.05
Vehmas Liisa	930,693	3.00
Mandatum Life Unit-Linked	739,547	2.38
Investment fund Nordea Small Cap	721,040	2.33
Nyberg Gustav	531,667	1.72
Ten major shareholders, total	**11,868,097**	**38.31**
Nominee registrations	627,729	2.03
Other shares	18,083,472	58.38
Total shares outstanding	**30,579,298**	**98.72**
Treasury shares	396,226	1.28
Shares total	**30,975,524**	**100.00**

DISTRIBUTION OF OWNERSHIP ON DECEMBER 31, 2016, BY NUMBER OF SHARES

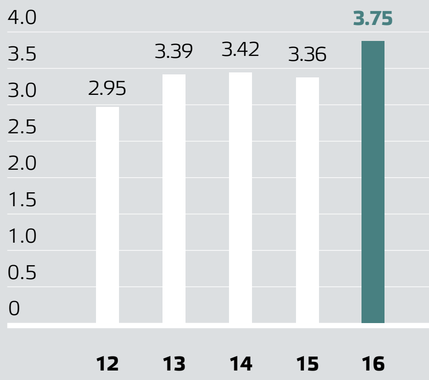
Number of shares	Number of owners	Share of owners %	Total shares	% of shares
1–100	1,483	16.06	89,782	0.29
101–500	3,510	38.01	977,572	3.16
501–1,000	1,679	18.18	1,282,847	4.14
1,001–5,000	2,046	22.16	4,418,054	14.26
5,001–10,000	298	3.22	2,111,983	6.82
10,001–50,000	167	1.81	3,399,236	10.97
50,001–100,000	16	0.17	1,051,190	3.39
100,001–500,000	26	0.28	5,772,299	18.64
500,001–	10	0.11	11,868,097	38.31
Total in joint accounts	1	0.01	4,464	0.01
Total	**9,236**	**100.00**	**30,975,524**	**100.00**

DISTRIBUTION OF OWNERSHIP ON DECEMBER 31, 2016, BY OWNERSHIP GROUPS

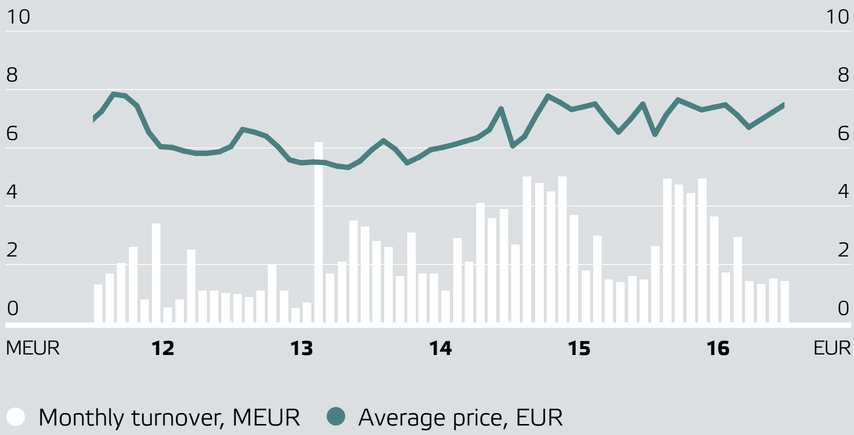
%	Ownership	Shares
1. Households	94.5	60.8
2. Companies	4.1	18.9
3. Financial and insurance institutions	0.2	7.5
4. Non-profit organizations	0.8	4.4
5. Public organizations	0.1	8.1
6. Non-domestic	0.3	0.3
Total	**100.0**	**100.0**

SHARE PRICE PERFORMANCE
EUR

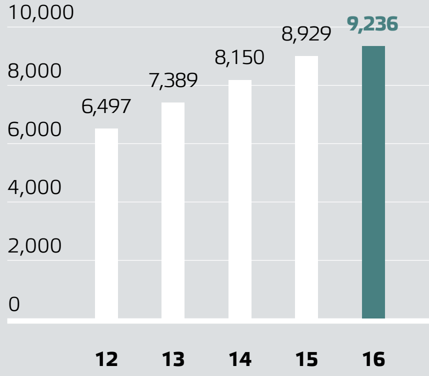
EQUITY/SHARE
EUR



SHARE TRADING AND AVERAGE PRICES



NUMBER OF SHAREHOLDERS



based on the authorization. The authorization is valid until September 30, 2018. The Board of Directors has used the authorization on March 18, 2016 and granted 88,970 treasury shares to employees included in the earnings period 2015 of the share-based incentive plan 2015–2017.

Furthermore, the Annual Shareholders' Meeting 2015 authorized the Board of Directors to decide on a rights issue. The authorization also includes the right to decide on a directed share issue. The total number of new shares to be offered for subscription may not exceed 1,500,000. The authorization is valid until September 30, 2018. The Board of Directors has not used the authorization.

SHARE TRADING AND SHARE PRICE DEVELOPMENT

In 2016, a total of 2,490,725 Aspo Plc shares with a market value of EUR 17.3 million were traded on Nasdaq Helsinki, in other words, 8.0% of the shares changed hands. During the financial year, the share price reached a high of EUR 8.21 and a low of EUR 6.00. The average price was EUR 6.95 and the closing price at year-end was EUR 8.18. The company has a liquidity providing agreement regarding its share with Nordea Bank AB.

At year-end, the market value of the shares excluding the treasury shares was EUR 250.1 million. For the latest trading information, please visit: www.aspo.com.

SHARE OWNERSHIP

Aspo's shares are included in the book-entry system maintained by Euroclear Finland Ltd. At the end of 2016, the number of shareholders at Aspo totaled 9,236. Of these, 98.0% represented direct shareholding and 2.0% nominee registrations. A total of 0.2% of the shares was held by foreign entities. On December 31, 2016, the ten largest shareholders owned a total of 38.3% of the company's shares and voting rights.

A list of major shareholders with monthly updates is shown on the company's website at: www.aspo.com.

SHAREHOLDING BY THE GROUP EXECUTIVE COMMITTEE AND THE BOARD OF DIRECTORS

On December 31, 2016, the total number of shares owned by the members of Aspo Plc's Board of Directors with entities under their control was 4,161,370 shares, which represents 13.4% of the shares and voting rights.

On December 31, 2016, Aspo Plc's CEO and the other members of the Group Executive Committee held a total of 235,181 shares, which represents 0.8% of the shares and voting rights.

DIVIDEND PROPOSAL OF THE BOARD

The parent company's distributable funds on December 31, 2016 totaled EUR 31,495,378.54 with the profit for the financial year totaling EUR 12,804,309.73.

The company's registered number of shares on December 31, 2016 was 30,975,524, of which the company held 396,226.

The Board of Directors proposes to the Shareholders' Meeting that the company's distributable funds be distributed as follows:

• A dividend of EUR 0.42 per share be paid out in two installments on 30,579,298 shares*	EUR 12,843,305.16
• to be retained in equity	EUR 18,652,073.38
	EUR 31,495,378.54

*number of shares entitling to dividends on the signing date

The dividend will be paid in two installments. The first installment of EUR 0.21 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 7, 2017. The Board of Directors proposes that the dividend be paid on April 18, 2017. The second installment of EUR 0.21 per share will be paid in November 2017 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date. At its meeting to be held on October 26, 2017, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 30, 2017 and the payment date would be November 6, 2017.

No dividend is paid to the treasury shares held by Aspo Plc.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the opinion of the Board of Directors the proposed dividend will not put the company's solvency at risk.

Before the Board of Directors implements the resolution of the Annual Shareholders' Meeting, the Board of Directors must, in accordance with the Finnish Companies Act, assess whether the company's solvency and/or financial position has changed after the resolution of the Annual Shareholders' Meeting so that the requirements for dividend distribution in the Finnish Companies Act are no longer fulfilled. It is a prerequisite for the implementation of the resolution of the Annual Shareholders' Meeting that the requirements in the Finnish Companies Act are fulfilled.

Helsinki, March 3, 2017

Gustav Nyberg | Mammu Kaario

Mikael Laine | Roberto Lencioni

Salla Pöyry | Risto Salo

Aki Ojanen
CEO

AUDITOR'S REPORT

To the Annual General Meeting of Aspo Plc

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Aspo Plc (business identity code 1547798-7) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flow and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance as well as its financial position and its cash flows in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Valuation of goodwill

We refer to the financial statements' accounting principles on goodwill and related disclosure in the note 12.

At the balance sheet date, the value of goodwill amounted to EUR 42.6 million representing 14% of total assets and 37% of total equity. Management's annual impairment tests were considered a key audit matter due to the size of the goodwill amount and because they involve management judgments on future results of the business and the discount rates applied to future cash flows.

We engaged valuation specialists to assist us in evaluating the assumptions and methodologies used for impairment tests. We focused on forecasted growth and profitability, investments as well as on discount rates. We assessed management's underlying assumptions and among other things benchmarked those with external data. We focused on the sensitivity and the availability of headroom for cash generating units and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We assessed company's forecasting accuracy in the history and compared projections to the latest Board approved budgets. We also tested the mathematical formulas of the underlying calculations.

In addition we assessed the adequacy of the company's disclosures related to impairment tests.

Revenue recognition

We refer to the financial statements' accounting principles on revenue recognition and related disclosure in the note 1.

In the financial year 2016 Aspo Group's turnover amounted to EUR 457 million, which mainly consists of commerce, but also of services to be sold to customers. We focused on this area as a key audit matter due to the risk of incorrect timing of revenue recognition, as revenue is considered an important key figure when the financial performance of the company is evaluated. According to the financial statements' accounting principles revenue is recognized when the risks and rewards of the underlying products and services have been transferred to the customer. Due to the variation of contractual sales terms and practices across the markets and the pressure the local management may feel to achieve performance targets, there is risk for a material error.

To address the risk for material error on revenue recognition, our audit procedures included amongst other:

- assessing the compliance of company's revenue recognition accounting policies with applicable accounting standards.
- assessing the revenue recognition processes and practices. On major locations we tested the effectiveness of the key controls.

- performing substantive analytical procedures relating to revenue recognition supplemented with test of details on a transaction level on either side of the balance sheet date and by analyzing credit notes issued after the balance sheet dates.

We assessed the adequacy of the company's disclosures related to revenues.

Valuation of inventories

We refer to the financial statements' accounting principles on inventories and related disclosure in the note 18.

At the balance sheet date, the value of inventory amounted to EUR 57 million representing 18% of total assets and 50% of total equity. Inventories were considered a key audit matter due to the size of the balance and because inventory valuation involves management judgement. According to the financial statements' accounting principles inventories are measured at cost or net realizable value, if lower. Aspo has segment and market based procedures to identify risk of obsolescence and to value inventories in accordance with lower of cost or market principle.

To address the risk for material error on inventories, our audit procedures included amongst other:

- assessing the compliance of company's accounting policies over inventory valuation with applicable accounting standards.
- assessing the inventory valuation processes and practices. On major locations we tested the effectiveness of the key controls.
- assessing the analyses and assessment made by management with respect to slow moving and obsolete stock.

We assessed the adequacy of the company's disclosures related to inventories.

Responsibilities of the Board of Directors and the Managing Director for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express

an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in of the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki March 7, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Harri Pärssinen
Authorized Public Accountant

INFORMATION FOR INVESTORS

BASIC SHARE INFORMATION

- Listed on: Nasdaq Helsinki Ltd
- Industry sector: Industrials
- Category: Mid Cap
- Trading code: ASPO
- ISIN code: FI0009008072

ANNUAL SHAREHOLDERS' MEETING

The Aspo Plc Annual Shareholders' Meeting will be held at Finlandia Hall, conference room Helsinki, Mannerheimintie 13 e, FI-00100 Helsinki, Finland on Wednesday, April 5, 2017 at 14:00 p.m. The record date of the Annual Shareholders' Meeting is March 24, 2017.

Shareholders intending to participate in the Annual Shareholders' Meeting should register for the meeting no later than on March 31, 2017 by 16:00 p.m. Please register:

- Through Aspo's website at www.aspo.com,
- By e-mail to ilmoittautuminen@aspo.com,
- By telephone on +358 20 770 6887,
- By fax on +358 9 521 49 99, or
- By letter to Aspo Plc, P.O. Box 70, FI-00501 Helsinki.

In connection with the registration, shareholders are requested to notify the company of any proxies authorized to exercise their voting rights. The proxies should be delivered to the company within the registration period.

DIVIDEND PAYMENTS

Aspo's dividend policy is to distribute approximately at least half of the Group's annual profit in dividends. The Board of Directors will propose to the Annual Shareholders' Meeting that a dividend of EUR 0.42 per share be paid for 2016 and that no dividend be paid for treasury shares held by the company.

The dividend will be paid in two installments. The first installment of EUR 0.21 per share will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date of April 7, 2017. The Board of Directors proposes that the dividend be paid on April 18, 2017. The second installment of EUR 0.21 per share will be paid in November 2017 to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date. At its meeting to be held on October 26, 2017, the Board of Directors will decide on the record and payment dates of the second installment, in accordance with the rules of the Finnish book-entry securities system. According to the current system, the dividend record date would be October 30, 2017 and the payment date would be November 6, 2017.

FINANCIAL REPORTING IN 2017

- Financial Statements Release February 15, 2017
- Financial Statements 2016 will be published on March 15, 2017 at the latest
- Interim Report for January–March on Tuesday, May 9, 2017
- Half Year Financial Report for January–June on Tuesday, August 15, 2017
- Interim Report for January–September on Thursday, October 26, 2017

Aspo's financial information is published on the company's website at www.aspo.com, including financial statements, interim reports and stock exchange releases in Finnish and in English. Reports can also be ordered by phone +358 9 521 41 00 or by e-mail from viestinta@aspo.com.

FURTHER INVESTOR INFORMATION

Aspo's website at www.aspo.com offers also versatile further investor information, such as the latest share information and consensus estimates based on expectations and predictions by the analysts following Aspo. At the web address www.aspo.com it is also possible to order all stock exchange releases and press releases to your e-mail.

ADDRESS CHANGES

Material will be sent to shareholders to the address shown in the shareholder register maintained by Euroclear Finland Ltd. Shareholders are advised to notify changes of address to the bank or brokerage firm where the shareholder has a book-entry account.

ASPO PLC'S INVESTOR RELATIONS

Aspo organizes frequent investor meetings with various stakeholder groups. The target is to provide for versatile information about Aspo and its operations to institutional and private investors, analysts and media representatives.

Aspo has adopted a silent period of 30 days prior to the publication of results. During this period, no comments on the financial situation, company's outlook or estimates will be made. During this period, the company does not meet investors, analysts or media in events where these issues are discussed.

CONTACT INFORMATION

For any further information concerning Aspo's investor relations issues, please contact:

Aki Ojanen, CEO
Tel. +358 9 521 40 10
aki.ojanen@aspo.com

Harri Seppälä, Group Treasurer
Tel. +358 9 521 40 35
harri.seppala@aspo.com

Arto Meitsalo, CFO
Tel. +358 9 521 40 20
arto.meitsalo@aspo.com

Print: Lönnberg
Paper: Munken Arctic Polar, cover 150g and inner pages 100g
Design: Miltton
Photos: Getty Images (inner front cover, pp. 4 and 6),
Tomi Parkkonen (pp. 2, 12–16)

ASPO PLC
P.O. Box 70,
Lintulahdenkuja 10
FI-00501 Helsinki
Tel. +358 9 5211
Fax +358 9 521 49 99
www.aspo.com

ESL SHIPPING
www.eslshipping.com

LEIPURIN
www.leipurin.com

TELKO
www.telko.com

KAUKO
www.kauko.com